Distr.
GENERAL

IDB.25/SR.1
6 June 2002

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Twenty-fifth session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 15 May 2002, at 10 a.m.

Temporary President: Mr. HOSSEINI (Islamic Republic of Iran)
President: Mr. HORVATH (Hungary)

CONTENTS

Agenda item		*Paragraphs*
-	Opening of the session	1 - 2
1	Election of officers	3 - 7
2	Adoption of the agenda	8 - 10
-	Statement by the State Minister for Trade and Industry of Ethiopia	11 - 17
-	Statement by the Minister of Enterprise Development, Industrial Policy and Investment Promotion of Sri Lanka	18 - 23
-	Statement by the Minister of Industry and Trade of the United Republic of Tanzania	24 - 35
-	Statement by the Director-General	36 - 49
-	Organization of work	50 - 51
3	Annual report of the Director-General on the activities of the Organization in 2001	52 - 77

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Translation and Editorial Service, room D0710.

In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued after the end of the session.

V.02-54808 (E)
Distr.: 11 June 2002

The meeting was called to order at 10.25 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the twenty-fifth session of the Industrial Development Board.

2. He thanked the Director-General and the Secretariat for their support during his term of office as President of the Board. It had been an honour to hold the post. He recalled that the objective of UNIDO was to promote and accelerate industrial development in developing countries. If that aim was to be achieved, the good will and spirit of consensus demonstrated at previous sessions would again need to be shown.

ELECTION OF OFFICERS

3. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. I. Horváth (Hungary) for the post of President; Mr. S. Shoukry (Egypt), Mr. Y. Takasu (Japan) and Mr. R. González Aninat (Chile) for the posts of Vice-President; and Mr. M. Hamedani (Islamic Republic of Iran) for the post of Rapporteur.

4. *The candidates were elected by acclamation.*

5. *The President took the Chair.*

6. **The PRESIDENT** recalled that the twenty-fifth session was the first meeting of the Board since the ninth session of the General Conference in December 2001, which had marked a turning point in the Organization's life. Member States had been in agreement that UNIDO had passed through the most difficult stage of reform, and they had re-elected the Director-General to a second term. They had also established a new scale of assessments on the basis of more equitable burden-sharing and, looking to the future, had approved the medium-term programme framework, 2002-2005.

7. He emphasized the importance of looking forward. Naturally, stability must be maintained, but it was also vital to fully use the potential of the Organization as a global player in such areas as environmental protection and technical development to help all Member States. It was a complex task, but he was confident that all those present were concerned to seek the best possible solutions on the basis of cooperation and compromise.

ADOPTION OF THE AGENDA (IDB.25/1 and Add.1; IDB.25/CRP.1)

8. **The PRESIDENT** noted that the provisional agenda (IDB.25/1) did not include the item "Adoption of the report". He suggested that that should be added as item 10.

9. *It was so decided.*

10. *The provisional agenda (IDB.25/1), as amended, was adopted.*

STATEMENT BY THE STATE MINISTER FOR TRADE AND INDUSTRY OF ETHIOPIA

11. **Mr. HAILE** (State Minister for Trade and Industry of Ethiopia) said that he wished to underline the African countries' efforts to set the continent on the road to sustainable development. They had, both collectively and individually, adopted a number of measures, including the New African Initiative, subsequently renamed the New Partnership for African Development (NEPAD). The main thrust was the continent's acknowledgement of responsibility for its own fate and of the need for peace, security, democracy, good governance and sound macroeconomic management as prerequisites for economic growth and sustainable development. Since Africa currently lacked the required resources and capacity to implement the programme, commitments would also be needed from the international community. Africa therefore expected that UNIDO would respond by enhancing existing programmes and formulating new ones.

12. His Government attached great importance to the work of UNIDO, which had provided the country with technical assistance since 1983. In 2000, UNIDO had formulated the integrated programme for Ethiopia, which aimed to help the Government transform the structure of the economy by developing industry and services, in line with the country's long-term development strategy of "agricultural development-led industrialization". The integrated programme for Ethiopia placed particular emphasis on food security, the development of small and medium enterprises, the strengthening of government institutions and environmental protection. Some positive results had been achieved in the reduction of post-harvest losses and in the increasing number of tanneries incorporating effluent treatment plants to control hazardous environmental effects. In that context, he thanked the Director-General for personally leading a delegation to Ethiopia to assess the outcome of the programme and identify the way forward. It had been agreed that UNIDO would focus on crucial branches of the economy, including private-sector development. Food, textiles and leather would be targeted and UNIDO activities would be carried out in close cooperation with the private sector, which played a catalytic role in terms of job and wealth creation.

13. Contributions by donors had been encouraging; a major part of the funding required for the programme had been secured. In that connection, he expressed the Government's gratitude to donor countries and organizations.

14. The UNIDO integrated programmes had had positive effects. Resources, however, remained meagre and implementation slow. The programmes could therefore have hardly any real impact on reducing poverty or improving competitiveness. More funding should be provided for the integrated programmes, which constituted the core activities of the Organization.

15. His Government welcomed the launching of the UNIDO-Africa Investment Promotion Agency (IPA) Network, which was intended to address some of the problems faced by the continent's IPAs. It should, however, be complemented with additional investment and technology promotion measures, in close cooperation with relevant organs of the Organization of African Unity and regional economic communities. The human and financial resources of UNIDO field offices and national, regional and subregional offices should be strengthened. The mandates of national offices and regional centres should also be clearly delineated.

16. Given that selected research topics and partners were crucial to the rapid industrial development of the least developed countries (LDCs), UNIDO should involve the universities and research institutions of developing countries in its work. Such involvement could bring multiple benefits: the organizations were well placed to identify the most urgent needs of their communities; cooperation would reduce research costs and enhance the capacities of local institutions; and experienced professionals might be induced to remain in developing countries.

17. Ethiopia honoured its obligations under the UNIDO Constitution. Indeed, it was one of the few LDCs that had already paid its assessed contribution for 2002 in full. It had done so not because its financial performance was better than that of other countries but because of its strong belief in the Organization. His Government expected a similar commitment from other Member States and reiterated its own commitment to further strengthening its partnership with UNIDO at a time when the country had launched a national capacity-building and civil service reform programme in order to achieve accelerated economic growth.

STATEMENT BY THE MINISTER OF ENTERPRISE DEVELOPMENT, INDUSTRIAL POLICY AND INVESTMENT PROMOTION OF SRI LANKA

18. **Mr. PEIRIS** (Minister of Enterprise Development, Industrial Policy and Investment Promotion of Sri Lanka) said that the UNIDO integrated programmes were a symbol of the regeneration of the Organization. With the successful completion of the reforms and with experience derived from the integrated programmes, it was time for the Board and the Director-General to look at the next four years and consider which programmes to concentrate on. The Sri Lanka programme, one of the first integrated programmes, was, with funding of over US$ 6 million, the second largest in terms of funding. That was particularly appropriate in view of the peace process launched by the new Government.

19. He was highly pleased with the content of the programme, the technical delivery and, in particular, the commitment and knowledge of the UNIDO technical staff. A master plan for industrialization had been developed over a very short space of time and his Ministry was being transformed under the programme to give it a high private-sector focus and make it more service-oriented and efficient. The Ministry had acquired know-how on business incubators and a subcontracting and partnership exchange had been launched. The programme had three distinct components concerned with the environment and sustainable development. In that context, he had recently opened the National Cleaner Production Centre (NCPC) in Sri Lanka, which was the largest—in terms of funding—of all the 23 UNIDO NCPCs. An indispensable requirement for the success of a given programme was that the beneficiary Government should retain ownership. In his country's case, the programme was owned by the Government, while the National Project Director was from the private sector and many private-sector institutions were active stakeholders.

20. He noted that the integrated programmes had so far attracted funding amounting to US$ 86.5 million, whereas the requirement was about US$ 257 million. Although the Board should encourage the donor community to provide additional funds, the beneficiary Government should also be a partner in the exercise. Sri Lanka had launched two donor conferences, and the programme had thus attracted significant funds, for which he expressed appreciation. The programme had also benefited from UNIDO core funding derived from special contributions from donor countries.

21. Sri Lanka had been embroiled in an ethnic crisis over the past 20 years, which had prevented the country from fulfilling its economic potential. In 2001, for the first time since independence, the economy had shown negative growth, as a direct result of heavy defence expenditure and the separatist war. Thanks to help from the Government of Norway, the Government was about to enter into formal peace talks. Peace required economic growth, and many donors were already assisting in reviving the economy. The country's recent development had been achieved mostly through the

development of industry, and the integrated programme would be crucial in supporting economic revival, particularly in the former conflict areas.

22. Given the highly technical nature of integrated programmes, a detailed technical evaluation, especially of programmes such as that in Sri Lanka, which was at a mature stage, would be beneficial to both UNIDO and Member States. He was therefore glad that the UNIDO Executive Board had recently approved an in-depth evaluation of the Sri Lanka and other programmes. In that context, he invited the Director-General to visit the country and assess for himself the profound impact UNIDO activities were having.

23. UNIDO programmes should be viewed within the wider context of the global development debate. In that context, the recent International Conference on Financing for Development at Monterrey, Mexico, had been most timely. His country, having undergone part of the industrialization process, had been faced with trade-related technical barriers, under which exporters were obliged to submit internationally acceptable test certificates and evidence of compliance with various international standards. The UNIDO programme, however, had taken the barriers into account and planned the necessary capacity-building measures. By August 2002, Sri Lanka would have five internationally accredited testing laboratories and a national system that complied with the ISO 14000 environmental management system. UNIDO support had thus enabled Sri Lanka to derive benefits from globalization. His Government also welcomed the new UNIDO trust fund established to support capacity development for trade facilitation. He urged the donor community to contribute to the fund.

STATEMENT BY THE MINISTER OF INDUSTRY AND TRADE OF THE UNITED REPUBLIC OF TANZANIA

24. **Mr. NGASONGWA** (Minister of Industry and Trade of the United Republic of Tanzania) said that, at the Fourth Ministerial Conference of the World Trade Organization (WTO), at Doha, Qatar, a decision had been taken to begin a new round of multilateral trade negotiations, in which developing countries would have to participate fully. In the current era of globalization, the international community should assist the developing countries, particularly such LDCs as the United Republic of Tanzania, in building their productive capacities in order to be able to participate fully in world trade. Failure to provide such assistance would result in the further marginalization of vulnerable economies.

25. In addition to global economic integration, increasing emphasis was being placed on regional economic integration. The developing and the least developed countries would have to face those challenges as they sought to fulfil their obligation to open their markets while at the same time making efforts to improve their ability to take advantage of emerging regional and global opportunities.

26. The United Republic of Tanzania was making efforts to become an economy in which the private sector played a dynamic role in the industrialization process, which was one way of ensuring that it benefited from globalization. However, the call for globalization, deregulation and liberalization should not divert the international community's attention from the pressing problems of poverty, unemployment and inequality. The Millennium Development Goals and the Monterrey Consensus, both of which had been adopted under United Nations auspices, should form the basis of a comprehensive international development agenda. In that regard, the international community should support the work of the International Labour Organization (ILO) on the social dimensions of globalization.

27. For the past several years, the United Republic of Tanzania had been implementing a series of wide-ranging policy reforms. It had begun by creating an enabling environment for economic growth through mobilization of resources from the Tanzanian and foreign private sectors. Those measures had been complemented by extensive reforms in such areas as finance, trade, agriculture, mining, manufacturing and tourism. The reforms had also involved the divestiture of public enterprises. Inflation had been reduced to a single digit, as compared with the inflation rate of over 30 per cent in the mid-1990s. In 2001, the country's gross domestic product (GDP) had increased by 4.6 per cent. However, those achievements could not be sustained without an adequate response from the private sector. It was therefore necessary to intensify sectoral and micro-level interventions. In that connection, he commended the emphasis that UNIDO placed on programmes geared to systemic interventions to address supply-side constraints.

28. The relationship between the United Republic of Tanzania and UNIDO had always been excellent. In 1999, the first phase of the Integrated Industrial Development Programme had been launched. The Programme comprised six major components: implementation of the Sustainable Industrial Development Policy; development of small and medium enterprises (SMEs); investment promotion and finance; productivity, technology and competitiveness; environment; and private sector development. During the implementation of the Programme's first phase, which had lasted three years, success had been achieved in improving the competitiveness of the industrial sector in regional and international markets, publishing two issues of a review of industrial and trade sector

performance and strengthening a statistical and information programme on the industrial sector.

29. An SME development policy had been finalized and would soon be submitted to the Government for approval. The Tanzania Investment Steering Committee, which was chaired by the Prime Minister, was currently operational. Investment regulations had been developed, and investment promotion delegations had been organized. Companies in a number of countries had shown interest in investing in the United Republic of Tanzania, and several initial agreements had been signed. He hoped that interest in investing in his country would increase when new legislation on export processing zones took effect in July 2002.

30. With regard to productivity, technology and competitiveness, he said that, following the European Union's ban on Tanzanian exports of Nile perch, UNIDO had undertaken a comprehensive programme on quality management and certification. The result was that the United Republic of Tanzania had become the first East African country to have the ban lifted. Annual income from such exports currently amounted to about US$ 140 million. Another important aspect of the programme had been the development of female entrepreneurship in the areas of food processing and textiles. The results of professional studies of the leather sector had enabled the Ministry of Industry and Trade to prepare specific recommendations on the revitalization of the leather sector based on a holistic approach.

31. Turning to environment-related issues, he said that a programme for cleaner production in factories had been developed, and studies on waste management and recycling had been undertaken. A project would be carried out in Dar-es-Salaam to handle paper and plastics waste. There was a market for recycled products in the United Republic of Tanzania, Kenya and South Africa.

32. Private-sector organizations, such as the Confederation of Tanzania Industries and the Tanzania Chamber of Commerce, Industry and Agriculture, had been strengthened and a training programme for the informal sector had been developed. A public/private sector consultative process had culminated, in April 2001, in the establishment of the Tanzania National Business Council, which was chaired by the country's President.

33. He commended the Organization's initiatives on transfer of technology and know-how, with particular reference to the Punjab-based, UNIDO-sponsored research on machinery and auto parts. His country had taken advantage of the training facilities under that programme, being aware of the importance of machine tool technology in the transition from a predominantly agrarian to an industry-based economy.

34. In recognition of UNIDO's commendable work, the Tanzanian Government had cleared its arrears of over US$ 69,000, with the consequent restoration of its voting rights. His country would continue to honour its obligations to UNIDO whenever its financial capacity permitted. As a Member of UNIDO, the United Republic of Tanzania stressed the need for Member States to honour their obligations in order to enable UNIDO to continue delivering services in its area of competence.

35. The United Republic of Tanzania was currently working closely with UNIDO experts in order to finalize the second phase of the Integrated Industrial Development Programme. While the second phase would carry over some first-phase activities, it would focus on SME development and promotion, environment management and the agro- and food-processing sector in order to mitigate post-harvest losses, which accounted for up to 40 per cent of farm produce. The Tanzanian Government had established the Ministerial Steering Committee, which he personally chaired, to oversee the second phase of the Programme. He called upon all cooperating partners to provide assistance in the financing of the Programme's second phase.

STATEMENT BY THE DIRECTOR-GENERAL

36. **Mr. MAGARIÑOS** (Director-General) congratulated the President and the other members of the Bureau on their election, and expressed his gratitude to the departing President for his excellent work.

37. After the turbulent period of the 1990s, UNIDO was entering its fourth consecutive year of stability and growth. The 2000-2001 biennium had been a time of achievement for the Organization. The collection rate of assessed contributions for 2001 had been about 92 per cent, one of the highest since UNIDO had become a specialized agency. Moreover, in 2001, US$ 11 million had been collected against arrears. The overall implementation of the budget for the biennium had been one of the highest: 96.4 per cent of the approved budget. The higher implementation in 2000-2001 had been due to better management of financial resources at the Organization's disposal. The operational budget had also shown a surplus of US$ 1.4 million for the biennium, and the reserve level had increased to US$ 3 million at the end of 2001, owing partly to higher technical cooperation delivery in 2001, which had amounted to about US$ 85 million.

38. In 2002, the regular budget cash balance, including the Working Capital Fund, had been about 36 million euros at the end of April. According to financial regulation 5.5 (b), assessed contributions were due from Member States within 30 days of receipt of the communication from the Organization, which meant

that all contributions should have been received in January. At the end of April 2002, the collection rate had been about 56 per cent, which compared favourably with past years. Some major outstanding contributions were expected soon. He urged Member States that had not yet done so to fulfil their obligations to the Organization as soon as possible. There were currently 57 Member States without voting rights, including one member of the Board. It was worth noting that Ukraine had not only signed the payment plan recently approved but had also paid the first instalment amounting to some US$ 900,000. That had encouraged some other Member States to settle their arrears through payment plans.

39. Delivery of technical cooperation for the first four months of 2002 had been very encouraging and amounted to some US$ 38 million. If that trend continued, it should be possible to exceed the delivery rate of 2001, which in turn had been an improvement over the 2000 rate.

40. Owing to the political conditions prevailing in UNIDO at the beginning of his first term, he had not been able to follow a desirable pattern of recruitment for the Organization's human resources. During the period from January 1999 to April 2000, the Organization had made 12 appointments, mostly at the senior levels. With regard to gender, only 25 per cent of the total number of appointments had been for female Professionals. An analysis of geographical balance indicated that the majority of appointments had come from Western Europe and other States (67 per cent). There had been one candidate from Asia and the Pacific and three from Latin America and the Caribbean (8 per cent and 25 per cent respectively).

41. For the period from May 2000 to April 2001, 23 staff members had been appointed. With regard to gender, the proportion vis-à-vis the previous cycle had remained constant: 26 per cent of the staff recruited had been Professional women and 74 per cent had been males. The geographical distribution of appointments had improved slightly: of the total number of appointments, 26 per cent of the staff recruited had been from Asia and the Pacific, 13 per cent from Africa, 13 per cent from Latin America and the Caribbean, 9 per cent from Eastern Europe and the Newly Independent States of the former Soviet Union (NIS), and 39 per cent from Western Europe and other States.

42. In May 2001, UNIDO had recruited 20 Professionals through a strictly competitive selection process. All appointments had been made at the P-3 and P-4 levels for a highly specialized technical cadre that had replaced long-term generalists at higher grades. No appointments had been made under the 200 Series of the Staff Rules. In terms of geographical representation, the May 2001 recruitment drive had shown a considerable increase in the number of staff recruited from Africa as well as from Asia and the Pacific. Of the total number of appointments, 35 per cent had been from Asia and the Pacific, 30 per cent from Africa, 5 per cent from Eastern Europe and NIS, and 30 per cent from Western Europe and other States. With regard to gender, 40 per cent of the staff recruited had been women. The time allocated for the recruitment process had been considerably reduced. In the past, it had taken UNIDO approximately seven months to complete a recruitment process. During the May 2001 recruitment drive, the process had been completed in three and a half months.

43. Clear improvements had been made in the areas of financial performance, technical cooperation delivery and personnel. The integrated programmes had made a promising start. The success of the Organization's reform process was widely recognized. However, in view of the challenges that lay ahead, sustained efforts were needed to ensure that the Organization continued to move forward.

44. UNIDO had achieved particular recognition in the fields of quality, metrology and standardization, and the implementation of the international protocols relating to the environment. The challenge for the coming four years was to enhance the reputation of UNIDO further in a certain number of fields. Work was needed on the formulation and implementation of technical cooperation delivery. UNIDO had basically two modalities of technical cooperation: integrated programmes and stand-alone projects. Integrated programmes were being carried out in 48 countries and a high degree of integration had been achieved at the formulation stage. There had been a lot of interaction with the recipient countries, and a number of countries had decided to invest in their own programmes and were contributing substantively to their funding. However, more integration was needed in the implementation phase and measures were being taken to bring about improvements in that regard. For example, it had recently been decided to allocate all the funds for a given integrated programme to the team leader instead of allocating separate amounts to each team member. A system of rewards for the best integrated programmes and team leaders, based on performance, had also been approved. Basically, more should be done at the field level to achieve more coherent implementation of integrated programmes.

45. Integrated programmes represented only 25 per cent of technical cooperation delivery. Stand-alone projects, implementation of international protocols and the Investment and Technology Promotion Offices accounted for the remaining 75 per cent. In the case of stand-alone projects, there were no problems in the implementation phase, but improvements were needed at the formulation stage.

46. More generally, the Organization's activities should contribute to the goals outlined in the United Nations Millennium Declaration and the development objectives of the international community. The General Conference had adopted the medium-term programme framework, 2002-2005, as a guideline for developing the Organization's interventions. He hoped that intensive discussions would take place during the Board sessions and between sessions to further refine UNIDO's intervention in the areas agreed in the medium-term programme framework. In that regard, he welcomed the proposals made by some Member Sates to foster the debate.

47. The Secretariat had a role to play in improving the impact of the Organization's technical cooperation activities, and its two technical divisions had been merged with the aim of providing more integration and interaction. Steps had also been taken to strengthen the process of decentralization and coordination of activities at the field level. In the same spirit, the Secretariat was working on the preparation of a new set of initiatives for submission to the governing bodies. Efforts were likewise being made to strengthen cooperation with the private sector and civil society organizations, with a view to tapping their potential as service providers and advocates for change.

48. In accordance with the wishes of Member States, the Secretariat had been giving priority to Africa and would continue to do so. It would continue to scrutinize its technical cooperation delivery both at Headquarters and in the field. Between August and October 2001, he had met all the team leaders and discussed every aspect of the integrated programmes. Since the start of his second term, he had visited 17 countries and participated in a number of major international conferences.

49. UNIDO could not claim a place in the future on the basis of past achievements. It had to face new challenges and play a meaningful role in the efforts of the international community to defeat poverty, marginalization and backwardness. He was confident that the commitment and dedication of Member States would ensure its success.

ORGANIZATION OF WORK

50. **The PRESIDENT** proposed that the Board should once again decide to suspend rule 32 of the rules of procedure regarding the quorum. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

51. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 2001 (IDB.25/2 and Add.1; IDB.25/CRP.7, IDB.25/CRP.8)

52. **Mr. V. G. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, commended the Secretariat for its work in 2001. He welcomed the Organization's global forum activities. However, those activities should be focused on improving technical cooperation. He also welcomed the proposal to organize a global forum on biotechnology and the offer made by the Government of Chile to host that event in September 2003. In order to achieve the development goals set by the Millennium Declaration, UNIDO should strengthen its cooperation with relevant partners to help developing countries enhance their industrial capacities.

53. South-South cooperation was an important tool for strengthening the economic growth of developing countries and ensuring their equitable and effective participation in the emerging global economic order. He therefore commended the Secretariat for its participation in the Tenth Meeting of the Intergovernmental Follow-up and Coordination Committee on Economic Cooperation among Developing Countries and urged it to take the necessary action to follow up the decisions taken.

54. Investment promotion and institutional capacity-building activities were crucial for combating marginalization and reducing poverty. However, lack of finance remained a problem for the development of small and medium enterprises and he welcomed plans to enhance cooperation with private-sector equity funds in that regard. He noted UNIDO's increased activities in the framework of the Global Environment Facility (GEF) and other organizations, through which additional funds were available to implement programmes. UNIDO should continue those activities and make sustained efforts to incorporate environmental considerations into industrial policies and programmes. Its sectoral support activities should also be strengthened. Field offices needed to play a more dynamic role in technical cooperation delivery, and coordination between them and Headquarters should be further improved.

55. Performance management was central to the Organization's ability to discharge its mandate, as was the availability of adequate financial resources. The funds required for integrated programmes approved in 2001 had amounted to US$ 257 million, yet only US$ 81 million had been mobilized. Although the amount approved for technical cooperation in 2001 had increased slightly in comparison with 2000, it was still far below the amounts approved in 1996 and 1997. He urged Member States to provide the funds necessary for

the Organization to implement all its integrated programmes.

56. The improved collection rate of assessed contributions and the cost reductions in certain areas were to be commended. Efforts to modernize management practices were also to be welcomed and care should be taken to ensure that they translated into increased efficiency and staff confidence. Activities relating to innovation and learning and the improvement of internal processes were important, but the "objective indicators" in figure 13 in chapter V, section C, of the Annual Report 2001 required some improvement.

57. **Mr. NUÑEZ GARCIA SAUCO** (Spain), speaking on behalf of the European Union and the associated States Bulgaria, the Czech Republic, Hungary, Lithuania, Malta, Romania, Slovakia, Slovenia and Turkey, said that continuing internal reform was not an end in itself but a means to the end of enabling UNIDO to reduce poverty and marginalization, areas where it was now better placed to play a crucial role. In that regard, the European Union strongly supported UNIDO's efforts to redesign its service modules to focus on the targets set out in the Millennium Declaration.

58. The European Union confirmed its commitment to implementation of the Business Plan, as refined by the medium-term programme framework, and to continuing modernization of UNIDO. The continued improvement in the organization's performance through its focus on the areas highlighted in the 1997 Business Plan on the Role and Functions of UNIDO and, in particular, the recovery in the level of technical cooperation delivery in 2001 were welcome, as was the new structure of the Secretariat and the policy of developing managerial competencies, allowing UNIDO to further improve the quality, delivery and impact of its technical cooperation.

59. The increased financial support provided in 2001 by European Union member States to the Industrial Development Fund and the trust funds, and the decision by the European Commission to finance the quality and standardization programme implemented by UNIDO in the Western African region, underscored the European Union's view of UNIDO as a serious and responsible partner in global efforts to achieve sustainable development. In addition to providing financial support, however, the European Union had also established a continuous dialogue with the Secretariat on a range of subjects such as improving management practices, enhancing the relevance of the Organization's field presence and identifying investment opportunities of benefit to developing countries.

60. The European Union acknowledged that the integrated programmes were now the principal instrument of technical cooperation delivery, and supported the further development of that concept, building on the experience gained during the first years of implementation of the Business Plan. Continued evaluation of the existing programmes would help the Secretariat to define the appropriate approach to further refining those activities in order to make best use of the limited resources available.

61. The European Union urged the Secretariat to study the feasibility of regional programmes wherever appropriate, and attached great importance to achieving a more effective role for regional offices and using available national experience in the regions where operational activities were under way. In addition, in all its technical cooperation activities UNIDO should pay increased attention to fostering South-South cooperation.

62. UNIDO should continue to focus its efforts on poverty elimination, especially in the poorest countries, in line with Poverty Reduction Strategy Processes where they existed. It should keep its activities under constant review to ensure continued observance of the principle of comparative advantage and to avoid overlap with the work of other development agencies.

63. The European Union welcomed the Director-General's efforts to correlate UNIDO's activities, as mandated by Member States, to available resources. It welcomed the Organization's determination to take advantage of the possibilities offered by the Doha Development Agenda and its funding arrangements, and to contribute expertise to the technical assistance and capacity programmes to be developed in the follow-up process to Doha, including the Integrated Framework for Trade-Related Technical Assistance to the Least Developed Countries.

64. UNIDO's global forum function was integral to its mandate; well-targeted global forum activities could form an important basis for further developing the Organization's services and its ability to respond to ongoing changes in worldwide industrial development. In the long term, the global forum function ensured that UNIDO could deliver updated and high-quality assistance to the developing countries.

65. The European Union appreciated UNIDO's active efforts to increase cooperation with other organizations of the United Nations system, especially including its involvement in the United Nations Development Assistance Framework (UNDAF) process, and urged the Organization to explore ways of intensifying coordination and coherence within the system. It would welcome a report from UNIDO on its experience of the UNDAF process to date, examining the degree of integration and synergy achieved by the development agencies and the possible benefits derived by UNIDO from the process.

66. **Mr. MOONESINGHE** (Sri Lanka), speaking on behalf of the Asian Group, which associated itself with the Group of 77 and China, said that the integrated programmes and country service frameworks should be further strengthened, given their importance in promoting sustainable industrial development. An improved financing strategy was also needed in order to ensure their more effective implementation. With regard to UNIDO's sectoral support activities, his Group urged diversification to other indigenous agro-industry sectors in order to contribute to environmental preservation as well as income generation.

67. The Asian Group welcomed UNIDO's increased cooperation with other organizations of the United Nations system in the implementation of international protocols, conventions and funds as a way of mobilizing resources and improving project delivery. It called upon UNIDO, as an executing agency of the Global Environment Facility, to make full use of the resources offered by GEF and other institutions in the formulation and implementation of projects based on environmentally sound technologies, and to continue its promotional work in that area in order to keep Member States informed of the priorities, criteria and procedures involved in project selection and preparation under GEF and the Montreal Protocol.

68. The funding of activities planned under the integrated programmes continued to be inadequate. In the Arab region, as at 31 December 2001 almost 73 per cent of such activities were still awaiting funding, while in the Asia-Pacific region the figure was almost 79 per cent. Furthermore, of the total funds allocated for integrated programmes during 2001, the Asia-Pacific region's share was a mere 9.87 per cent, and no new project for the region had been approved from the regular budget that year. It was vital that the integrated programmes currently under preparation in the Asia-Pacific region should be finalized as quickly as possible and that, in general, donors should increase their funding of the programmes and the Secretariat redouble its efforts to improve the situation.

69. He stressed the importance of the field offices in the effective delivery of technical assistance to the developing countries. Coordination between field representatives and Headquarters should be improved so that field offices could become more dynamic.

70. The Asian Group commended UNIDO's improved performance in recent years, resulting from its administrative and programmatic reforms. With that process almost complete, the emphasis should now be on furthering the Organization's fund-mobilizing and delivery capability in order to consolidate the gains achieved. The prototype "balanced scorecard" should be further developed in order to give a more tangible idea of UNIDO's output.

71. The increased level of voluntary contributions in 2001 was a positive trend that should be sustained. UNIDO should continue collaborating with other agencies to generate greater resources, without prejudice to the regular technical cooperation programme. Also encouraging was the improved collection of assessed contributions, in which area further improvements should be sought. The increase in technical cooperation approvals and delivery and the improvement in the leverage ratio were welcome developments, as was the increase in expenditure on the regular programme of technical cooperation as a percentage of total expenditure. That had brought average regular programme expenditure during the past biennium to near the 6 per cent benchmark.

72. The Asian Group requested the Secretariat to further develop its methodology and criteria for the appointment of experts, for the allocation of training activities, fellowships and study courses and for country promotion presentation, in order to benefit a maximum number of Member States.

73. With regard to agenda item 4, he expressed satisfaction at the improvement in the Organization's financial situation, as reflected in the operational budget surplus and in the sound regular budget cash balance as at 31 March 2002. The support shown by Member States and the Secretariat's efforts to maintain the Organization's financial stability were praiseworthy. An increase to US$ 88.2 million had been registered in the funds mobilized for activities under the integrated programmes, with an additional US$ 15 million reportedly at an advanced stage of negotiation. Overall, however, the availability of funds for integrated programmes was a cause for concern. The Secretariat should also continue its efforts to recover the outstanding contributions owed by current and former Member States.

74. With regard to item 5, concerning the Investment and Technology Promotion Offices (ITPOs), the Asian Group recognized the importance of such offices in rendering assistance and providing venues for business ventures bringing together entrepreneurs from the host country and abroad. It appreciated the support of the host countries for industrial partnerships particularly benefiting small and medium enterprises. The Group agreed with the guidelines for the functioning of ITPOs proposed in document IDB.25/4.

75. Turning to item 6, on UNIDO involvement in major international conferences, he noted that UNIDO's initiative on venture capital in response to the Monterrey Consensus that had emerged from the International Conference on Financing for Development was expected to help provide concrete innovative approaches to the mobilization of funds, a factor crucial to all development, including industrial development.

UNIDO's second initiative, on strengthening the supply capacity of developing countries to enable them to participate in international trade, was also of great interest and, like the first initiative, called for effective follow-up.

76. It was expected that UNIDO's active involvement in the preparatory process for the World Summit on Sustainable Development would influence the negotiated text so that it would reflect the role of industrial development in achieving sustainable development and facilitate the transfer of environmentally sound technology. With a view to strengthening its own role as a partner in multilateral development cooperation and enhancing the value of its services, UNIDO should continue its active involvement in the Summit, whose outcome should stress the importance of sustainable industrial development in eradicating poverty.

77. Lastly, on item 7, regarding Joint Inspection Unit (JIU) activities relevant to UNIDO, he noted the positive evaluation of UNIDO's contribution to science and technology for development, as reflected in the JIU report contained in document JIU/REP/2001/2. By further strengthening its internal capacity and ability to mobilize funds and bringing into play its global forum function, UNIDO could play a leading role in coordinating and supporting programmes within the United Nations system, drawing on its experience in establishing a linkage between science and technology on the one hand and the productive sector on the other.

The meeting rose at 12.40 p.m.

Distr.
GENERAL

IDB.25/SR.2
12 June 2002

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-fifth session

SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Wednesday, 15 May 2002, at 2.30 p.m.

President: Mr. HORVÁTH (Hungary)

CONTENTS

Agenda item		*Paragraphs*
-	Statement by the Deputy Minister of Trade and Industry of Ghana	1 - 6
-	Round table on Integrated Programmes for Sri Lanka and the United Republic of Tanzania	7 - 33
-	Organization of work	34 - 35
3	Annual report of the Director-General on the activities of the Organization in 2001 (*continued*)	36 - 120

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Translation and Editorial Service, room D0710.

In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued after the end of the session.

V.02-54809 (E)

Distr.: 20 June 2002

The meeting was called to order at 2.50 p.m.

STATEMENT BY THE DEPUTY MINISTER OF TRADE AND INDUSTRY OF GHANA

1. **Mr. SADDIQUE** (Deputy Minister of Trade and Industry of Ghana) said that, with the process of reform largely completed, UNIDO was now well placed to assist developing countries, particularly in Africa, in achieving their aims of poverty reduction, economic growth, development and industrialization. His delegation welcomed the development of the Organization's global forum activities, and hoped that they would focus on the need for African countries to develop more effective capacities in business negotiations and acquire technologies that would enable their industries to produce high-quality goods and make them more competitive. Policy makers should be helped to choose the best possible industrialization policies and strategies and avoid duplication, especially in the area of research. He was confident that developing countries would thus be set firmly on the path to sustainable industrialization. The transformation of global forum activities into technical cooperation activities to benefit the least developed countries (LDCs) was most welcome. He trusted that, when research partnerships were forged, special attention would be paid to the enhancement of North-South cooperation, thus giving developing countries the opportunity to make their modest contributions to the UNIDO technical cooperation programme.

2. Industrialization had long been seen as the key to development and, if Africa wished to break out of the cycle of poverty, it should deepen its cooperation with UNIDO. In that context, his delegation strongly supported the establishment of the UNIDO-Africa Investment Promotion Agency (IPA) Network, which would greatly enhance the continent's efforts to eradicate poverty, achieve economic growth and attain sustainable development, as envisaged under the New Partnership for African Development (NEPAD). The Network could serve as a vehicle for addressing the disappointing industrial performance of sub-Saharan Africa and the continent's increasing marginalization with regard to global manufacturing.

3. The new initiatives taken recently as a result of the partnership forged between UNIDO and other international organizations would undoubtedly help developing countries break out of the cycle of poverty. His Government was determined to take advantage of Ghana's membership in UNIDO to work towards the attainment of sustainable economic development through private-sector-led economic activities, especially in the area of manufacturing. The first step had been taken in the form of the UNIDO integrated programme in Ghana, which had already yielded fruitful results.

4. His Government had taken a number of practical measures to encourage the private sector, including the establishment of the Export Development and Investment Fund, which sought to make available financial resources for the development and promotion of Ghana's export trade. The scheme was fully operational. Parliament had also passed legislation to create the Ghana Investment Fund, which would greatly relieve the private sector from the burden of lack of capital or high interest rates. Such schemes would provide additional financial resources for credible local investors who wished to expand their manufacturing activities in order to generate employment and raise the people's quality of life.

5. His delegation welcomed the improvement in the Organization's financial situation, which was due in part to the prudent measures taken by the Secretariat and in part to the increase in assessed contributions. Despite its financial constraints, his Government was making every effort to honour its financial obligations to UNIDO and urged other members, some of whom had unfortunately lost their voting rights, to take advantage of the measures recommended by the open-ended discussion group on timely payment of assessed contributions and agree on a payment plan with the Secretariat.

6. He expressed gratitude for the technical training offered by UNIDO, from which many Ghanaians had benefited. The continuation of such training would help the private sector, particularly the small and micro manufacturing sector, which would be the basis from which the country's industrialization would develop. Development could be imposed from above or evolve naturally, and the latter was preferable. He extended an invitation to the Director-General to come to Ghana and see the benefits already obtained from the Organization's activities.

ROUND TABLE ON INTEGRATED PROGRAMMES FOR SRI LANKA AND THE UNITED REPUBLIC OF TANZANIA

Sri Lanka

7. **Mr. PEIRIS** (Sri Lanka), presenting an overview of the impact of the UNIDO integrated programme in his country and the lessons that could be drawn for similar programmes in the future, said that the benefits were not confined to the recipient country but enabled UNIDO to develop its primary role of managing the globalization process in the interests of all the stakeholders. Dramatic and epoch-making events were taking place, epitomized by the recent International Conference on Financing for Development and the forthcoming World Summit on Sustainable Development, which should facilitate technical

exchange and lead to extensive tariff reform, certification procedures and the evolution of standards and criteria.

8. If a country was to achieve the maximum benefits from the Organization's global activities, it must set in place a series of complementarities and synergies. His Government had, in that context, introduced a range of innovative programmes aimed at energizing the private sector, which was the motor of commerce. A State also had the duty to modernize its macroeconomic system, particularly fiscal and monetary policy, reform its banking system and place at the disposal of the private sector the resources and facilities it required. A correlation between the work of UNIDO and a Government's policy was a prerequisite for success.

9. Sri Lanka's experience had led him to draw four conclusions. First, above and beyond any facilitating legislation, the overall environment in a country must be stable, in order to inspire investor confidence. His country had looked forward to a promising future when it had achieved its independence in 1948—it had, for example, had the highest per capita income in the region—but the promise had been blighted by the mismanagement of the ethnic crisis. Indeed, throughout the Indian subcontinent, the central dilemma was how to reconcile ethnic and cultural diversity with the concept of mature nationhood: how structures could be evolved whereby people speaking different languages, professing different religions and coming from totally disparate cultural backgrounds could feel at home in a given country without any perception of inferiority or exclusion. Sri Lanka had recently made a critical attempt to re-establish stability by renouncing war and violence as viable instruments for resolving its ethnic conflicts. In June 2002, it would be entering into direct negotiations with the insurgent group that had waged war for over a decade. A new confidence in the country had already been inspired and extensive entrepreneurial activity had been stimulated.

10. Secondly, full success for UNIDO integrated programmes could be achieved only with the involvement of civil society; non-governmental organizations, trade unions, universities and the private sector must play an active role in formulating national policies. Thirdly, government policies should show consistency and continuity over time: one obstacle preventing many countries from benefiting from UNIDO assistance was dramatic shifts in government policy, throwing up contradictions that shook investor confidence. Lastly, a programme's success depended on proper coordination and integration among different arms of government.

11. **Mr. GOONITILAKE** (Sri Lanka) said that the integrated programme, which had been formally launched in September 1999, had had a marked impact on the country's industrial development. Illustrating his presentation with slides showing past performance, he said that the strengths of the industrial sector were economic stability, high skills, private sector growth and good social indicators, whereas the problems included the limited domestic market, limited technology, the slow emergence from import substitution, inadequate infrastructure, poor management skills and the long-standing ethnic conflict. Threats to the sector included globalization, the Indo-Lanka Free Trade Agreement, the abolition of the Multifibre Arrangement, the lack of backward integration in the apparel industry and competition from abroad. There were also opportunities for the sector, however, such as know-how in the area of apparel, the rubber and ceramic markets and agro-processing. Sri Lanka also represented a priority for many donor countries.

12. Great strides towards sustainable industrial development had been made by the programme, with the introduction of tannery effluent plants, financed with US$ 1 million from the Norwegian Agency for Development Cooperation (NORAD); a link-up with the Japan International Cooperation Agency (JICA) Master Plan, worth US$ 1,108,000; the National Cleaner Production Centre (with US$ 1,263,000 from NORAD); quality metrology standards (US$ 450,000 from UNIDO and US$ 1.8 million from NORAD); the development of the leather industry (US$ 35,000 from the United Nations Development Programme (UNDP) and US$ 4,700,000 from the Government); support for microenterprises and small and medium enterprises (SMEs) (US$ 300,000 from UNIDO, US$ 88,000 from UNDP and US$ 2.2 million from the Government); the establishment of the governance support network (US$ 332,000 from the Government); environmentally sound technologies (US$ 880,000 from the Government); the Subcontracting and Partnership Exchange (US$ 200,000 from UNIDO); support for the apparel sector (US$ 1.9 million) from the Government and US$ 115,000 from UNIDO); and investment and technology promotion (US$ 100,000 from UNIDO).

13. The JICA Master Plan was funding aspects of the country's Industrial Development Master Plan, such as: studies of the apparel and leather sectors; the restructuring of the Ministry of Industrial Development to make it more responsive to the private sector; capacity-building in the same Ministry; and the benchmarking of the country's performance against international competition. The Government had contributed US$ 800,000 and UNIDO US$ 100,000 (covering technical assistance) to improving the competitiveness of the apparel sector. Additional funding was, however, required. A third component was the control of pollution from tanneries, for which an ingenious solution had been found: the Government had provided a greenfield site, together with the necessary

infrastructure, to concentrate all the country's tanneries in one place. Funding had been provided by NORAD and technical assistance by UNIDO. The site would eventually be taken over and run by the Sri Lanka Tanneries Association.

14. Another requirement for a country wishing to make a success of globalization was proper levels of quality, standardization and metrology, the absence of which amounted to the so-called "technical barriers to trade". The integrated programme had made possible the accreditation of four chemical and microbiology laboratories, with textile and rubber laboratories still awaiting accreditation. A new metrology laboratory had been developed and an ISO 14000 scheme launched. Lastly, the Industrial Subcontracting and Partnership Exchange had already logged successes in a short space of time.

15. A number of lessons could be drawn from the impact of the programme in Sri Lanka. First, while the programme itself was owned by the Ministry of Industrial Development, it was run by a national project director from the private sector. The Government had shown full commitment, both by providing funds and by organizing two donor conferences, as a result of which US$ 6.3 million—almost half the target—had been mobilized. That showed that, given commitment and efficient programmes, funding could be attracted. Secondly, the programme had addressed key industrial development constraints. Thus, for example, the development of internationally recognized laboratories had enabled Sri Lanka to export its products. Thirdly, the integrated approach—recognizing relationships between the leather and apparel sectors, small and medium enterprises, investment, the environment and technical barriers to trade—had been most beneficial. Fourthly, by contrast with the stand-alone projects of the past, the developments he had described would have a lasting impact. Lastly, the teamwork deployed in implementing the programme had been crucial.

United Republic of Tanzania

16. **Mr. UGBOR** (UNIDO Representative in the United Republic of Tanzania) said that the experience of Sri Lanka had much in common with that of Tanzania, where, following his visit in August 1998, the Director-General had sent nine staff members who had held in-depth discussions with representatives of the public and private sectors and agencies of the United Nations system to evaluate the problems and determine what UNIDO could contribute. The outcome had been an integrated programme comprising six components, aimed at supporting an industrial policy that had been in place since 1996 but was not being implemented. One component had therefore been to build the capacity to implement the policy. Another had been the development of small and medium enterprises, a sector in which there had previously been no coordination between the agencies of the United Nations system, the Government and the various sectors of industry. The third component, on investment and technology promotion, provided support at the policy, institutional and enterprise levels. The fourth promoted productivity and competitiveness in the priority sectors of leather, textile and food—particularly fish, building on an earlier programme that had trained women entrepreneurs in food processing. The fifth had been the environment, mainly recycling of waste paper and plastics, while the sixth was the development of the private sector.

17. In the middle of the year 2000, after the programme had been in operation for over a year, it had been decided that its focus should be narrowed to the theme of investment, while ensuring that the other components continued to play a supporting role and remained relevant to each other.

18. Funding for the programme was to have amounted to US$ 7.3 million, but so far only US$ 4.1 million had been received, from the Governments of Austria, the Czech Republic, Denmark, Norway, Japan and the United Kingdom, from UNDP and from UNIDO itself. The shortfall had been largely due to the impossibility of finding funding for the Zanzibar programme owing to the political situation on the island.

19. Phase I of the programme had ended in January 2002, following the Director-General's visit to review its performance. It had been agreed that the focus should be redirected. Phase I had, however, made a considerable impact. For example, the export to the European Union of Nile perch, which earned the country US$ 140 million a year on average, had been banned because of some of the practices employed in the processing plants. The effect of the ban had been disastrous for the town at the centre of the industry, on which at least two million people depended. Once those involved—shop-floor workers, managers and even owners—had received instruction on the regulations that had to be met and the practices that should be changed, the European Union inspectors had expressed themselves satisfied that genuine efforts had been made and the ban had been lifted. The town had been transformed. Another success had been the establishment of the renewed Tanzania Investment Centre, from which had been born the Investment Steering Committee, a remarkable institution in which some eight ministers, the Governor of the Central Bank and others met to discuss multisectoral projects, taking into account the implications for the environment, for example, or the road network. The Committee had also facilitated the search for appropriate investment projects, in the course of which 500 companies had been visited, 120 profiles had been written, 45 companies

were being promoted and, so far, 10 partnership agreements had been concluded.

20. It had also become clear that the public sector, which had dominated the economy during the country's socialist period, would benefit from a dialogue with the private sector. To that end, the Tanzania National Business Council had been set up, with the President in the Chair. The atmosphere was open and members were encouraged to raise issues of concern.

21. The programme's milestones, if not yet outright achievements, included improved integration, resulting in more efficient implementation of the various components. The team leader kept the rest of the team constantly informed. At the country level, UNIDO participated actively in system-wide activities, including preparation of the United Nations Development Assistance Framework (UNDAF). Although Tanzania was not in the pilot phase for UNDAF, the United Nations Country Management Team had decided to elaborate one. The team was invited to make a presentation to the Special Segment of the Economic and Social Council in July 2001. In addition to the UNDAF overriding goal of poverty alleviation, one major strategic objective relating to agriculture and sustainable livelihood was at the heart of the UNIDO integrated programme. The team had also worked with UNDP and the International Labour Organization (ILO).

22. Other milestones included: a study carried out by the team, with the help of various other bodies, on Tanzania's competitiveness, with particular emphasis on areas with potential for growth; a study concerned with the revitalization of the leather industry; a fish code of conduct, a manual for fish inspectors, which had been issued and was widely used; and a study of waste management, with the focus on recycling.

23. Some progress had been achieved with capacity-building. The Ministry of Industry and Trade had been the main beneficiary in the small and medium-sized enterprise sector, instruction had been given to entrepreneurs, especially women, in food processing; and various occupational associations, such as the Leather Association of Tanzania, had been set up.

24. **Mr. PRUIM** (Team Leader, Integrated Programme for the United Republic of Tanzania) said that he wished to draw attention to lessons that had been learned from mistakes made during the initial stages of the programme or from problems arising out of weak design. The first problem had been that funding had been limited; the team had, perhaps over-idealistically, expected donors to come forward of their own accord. The fact that different components of the programme had been financed at different times—and thus insufficiently financed—had led to a loss of synergy and potential integration. Moreover, bilateral programmes that built on features of the integrated programme had not, however commendable in themselves, taken sufficient account of the integrated programme. Thus the United Kingdom had, after long hesitation, bilaterally provided funds for the Tanzania Investment Centre, but the lack of integration with the integrated programme had led to a reduction of efficiency. A similar problem had been encountered with funds provided for another project by the Danish Government.

25. Another lesson that had been learned was that a donor country interested in financing a certain project required proposals containing a clear description of objectives, activities and budgets. Too often, in the case of the Tanzania programme, such proposals could not be readily detached from the programme as a whole. Integration was easier at the formulation stage than at the implementation stage. Similarly, non-programmable donor funds earmarked for specific activities should be built in at the design phase. Future programmes would also be improved if a study on baseline indicators were included; otherwise, it was difficult to establish what the situation in a given area had been some years previously. Governments should actively promote the programme, ensuring that donor countries were kept informed. All too often donor country embassies discovered too late that their bilateral programme would have complemented the integrated programme. In Tanzania, the relevant embassies would, in future, be kept informed.

26. A further lesson learned was that the authority of team leaders ought to be increased, giving them a greater degree of flexibility. Thus, for example, they should be able to move funds from one activity to another, as circumstances required, on their own initiative. A publication was being prepared on the experience in Tanzania and Uganda containing lessons for future programmes.

27. Phase II of the programme was just starting and care would be taken to avoid the repetition of certain mistakes. The Government's priorities had been assessed and basic problems identified. Discussions had taken place with both the stakeholders and with the Government in order to use potential synergies. It had also been decided to focus on one core component, which would be complemented by the other components. Programmable funds should be used to develop donor financing. In the past, available resources had immediately been put into useful projects, whereas they could have been used as leverage to increase donor funding. Moreover, the specific interests of donors should be harnessed to specific components. Phase I should also be evaluated to support the design of phase II. Efforts would be made to improve the integration of the programme with regional programmes

run by the East African Community, for example, or the Southern African Development Community. A baseline study would also be made so that the programme's impact could be analysed at a later stage.

28. In the case of Tanzania, it had been decided that the core component under phase II would be capacity-building for agricultural small and medium enterprises, with the focus on post-harvest activities. The other components—policy and entrepreneurial support, business partnerships and financing, quality, standardization and metrology, and energy and environment—would play a supporting role.

29. **Mr. NGASONGWA** (Deputy Minister of Industry and Trade, United Republic of Tanzania) reiterated the importance of learning from the experiences of the integrated programme. He also wished to pay tribute to the crucial role played by UNIDO in a number of areas. The intermediary role it had played in establishing the public-private sector dialogue had been invaluable, particularly in its assistance with the establishment of the National Business Council and of the Private Sector Foundation, which was chaired by an extremely eminent representative of the industrial sector. Another useful body that had been established was the Investment Steering Committee, of which the Prime Minister was Chairman and several senior cabinet ministers were members. UNIDO had also been of great help with facilitating integrated counterpart support: the Ministerial Steering Committee, chaired by himself, had three senior cabinet ministers as members, one of whom was the President's own Minister of State, in charge of overseeing regional activities.

30. He also commended the Organization's help in establishing the resumption of international trade, particularly in the case of Nile perch exports to the European Union, which would have taken much longer without the intervention of UNIDO. The Organization's contribution to the development of the SME policy, which had brought together all the stakeholders in the national economy, had also been important, as had its support for the Tanzania Investment Centre, which had, until the intercession of UNIDO, been out of favour with the donor community.

31. The help given to his ministry with the studies of competitiveness, industrial products, the SME policy, the leather strategy and, above all, investment regulations had been most useful. With regard to the latter, the UNIDO team had successfully resolved the conflicting interests of the tax authorities—whose task was to ensure that revenue came into the government coffers—and the Tanzania Investment Centre, which provided incentives by exempting some investors from some taxes. New investment regulations would shortly be in place.

32. He also drew attention to UNIDO support in the areas of: quality, standards and metrology; the training of women entrepreneurs (a particularly important feature of the programme, since any effort to overcome poverty, in his country and in other developing countries, must involve women); and the information technology programme, through which UNIDO had contributed to the fulfilment of the objectives of the United Nations Millennium Declaration.

33. Without income generation, poverty alleviation would not be possible. It was therefore important to expand the productive sectors of the country's economy. He expressed appreciation for the Organization's help in obtaining assistance from the development partners. In that context, he fully recognized the importance of regular consultations with donor countries, as mentioned by the previous speakers.

ORGANIZATION OF WORK

34. **The PRESIDENT** said that the Bureau had decided to recommend that the Board should follow its previous practice and hold informal in-session consultations to facilitate the drafting of consensus decisions. The Bureau had also recommended that Mr. Yukio Takasu (Japan), in his capacity as Vice-President, should chair the consultation meetings. The Bureau had agreed that draft decisions on items that had not yet been discussed in the plenary could be dealt with in the informal consultations, on the understanding that any item could, if necessary, be taken up again in the plenary.

35. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 2001 (*continued*) (IDB.25/2 and Add.1; IDB.25/CRP.7)

36. **Mr. MARQUEZ MARIN** (Venezuela), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that GRULAC attached priority importance to UNIDO's technical cooperation programmes in the developing countries, in particular to its integrated programmes, which helped to strengthen productive capacity, promote industrial development and encourage technology transfer. The success of the integrated programmes depended on the availability of financial resources from voluntary contributions, without which all efforts would be in vain. He therefore urged potential donors to contribute to the execution of technical cooperation projects.

37. He commended the activities that UNIDO was carrying out in Latin America and the Caribbean. Progress in the implementation of integrated programmes and programme strategies was of great

importance for the countries of the region, and he drew attention to the recent approval of technical cooperation programmes in Ecuador and Peru. UNIDO should continue its activities with countries of the region, whose integrated programmes were at different stages of execution.

38. South-South cooperation should be encouraged. The promotion of horizontal cooperation would enable the developing countries to make use of their comparative advantages for their own benefit and would increase global interaction.

39. He commended the Organization's efforts to focus its activities on areas in which it had demonstrated its comparative advantages within the United Nations system. Those areas included biotechnology, technology foresight, agro-industry and participation in the execution of programmes under the Global Environment Facility (GEF), the Montreal Protocol on Substances that Deplete the Ozone Layer and the Kyoto Protocol. Those activities would result in broader and better technical cooperation programmes.

40. GRULAC supported the Secretariat's plan to convene a global meeting on biotechnology with a view to promoting dialogue and cooperation between the technologically advanced countries and developing countries. It welcomed the offer of the Government of Chile to host the event, which was to take place in Concepción in September 2003. It also attached particular importance to the promotion of technology transfer and technology foresight activities, particularly in the areas of agro-industrial technologies and biotechnology.

41. He commended the Organization's participation in the International Conference on Financing for Development, at which UNIDO had put forward a number of ideas that were of interest to Latin American and Caribbean countries. GRULAC was pleased that the Organization would take part in the World Summit on Social Development, which would be held in Johannesburg in August 2002, and it was confident that UNIDO would strengthen its role as an international agency in the field of sustainable development.

42. The Investment and Technology Promotion Offices (ITPOs) should promote technological development by strengthening countries' capacities to attract investment for industrial projects. Such Offices could assist Latin American and Caribbean countries in acquiring new technologies and establishing sustainable mechanisms for promoting business alliances. GRULAC supported the proposed guidelines for the functioning of ITPOs (IDB.25/4, para. 7).

43. **Mr. HASSAN** (Sudan), speaking on behalf of the African Group, said that global forum activities must in all cases be linked to technical cooperation, in the interests of better utilization of the Organization's limited resources. The African Group supported UNIDO's efforts to enhance its cooperation with other international entities dealing with developmental issues. The Organization should focus its activities on areas in which it had a comparative advantage, including the development of small and medium enterprises, women's entrepreneurship, investment and technology promotion, agro-industries, leather industries, waste management and environmental issues. Investment promotion and institutional capacity-building were vital to efforts to fight poverty and marginalization, and UNIDO should endeavour to achieve an equitable regional balance with respect to those activities. With regard to sectoral support and environmental sustainability, the Group noted with interest UNIDO's efforts to upgrade technical skills in agro-industries, environment policies, cleaner production, pollution control and waste management. The Secretariat should take into account the Organization's capacity to implement GEF activities, it being a designated executing agency for the Facility.

44. In accordance with the 1997 Business Plan on the Future Role and Functions of UNIDO and the priority status accorded to Africa and the LDCs in UNIDO activities, the Organization should play an important role in the renewed efforts of the African countries and the international community to place Africa on the path of sustainable development.

45. While UNIDO's integrated approach was a valid strategy that contributed to the industrial development of beneficiary countries, the implementation of that approach had been uneven from country to country, particularly owing to fund mobilization constraints. Fund mobilization for the integrated programmes should be improved through the joint efforts of UNIDO and the programme owners and, eventually, through changes in the current concept of earmarked funds. The Director-General should pay particular attention to follow-up and make critical assessments of the integrated programmes in consultation with the owner countries.

46. The African Group supported UNIDO initiatives on regional development issues. The recent establishment of the Investment Promotion Agency Network could help to improve the performance of UNIDO programmes. The investment promotion programme should be expanded to include more countries of the African region. The Group was satisfied with the agreement concluded between UNIDO and the West African Economic and Monetary Union (WAEMU), and supported the development of cooperation mechanisms between UNIDO and other African regional and subregional organizations.

47. The African Group had been informed that, in the first four months of 2002, an amount of about US$ 38 million had been spent on technical cooperation. Of that amount, US$ 31 million had been spent on GEF, the Montreal Protocol and other regional programmes. Only US$ 7.2 million had been allocated to the integrated programmes; that amount was far too low. An amount of US$ 12 million, evenly apportioned between 2002 and 2003, had been approved for the Second Industrial Development Decade for Africa. The Secretariat should provide the Group with information regarding the use of the US$ 6 million approved for 2002. Any delay in funding the ongoing integrated programmes in Africa would be detrimental to their implementation and expected results.

48. **Mr. EL ATAWI** (Egypt) said that the ninth session of the General Conference had enabled UNIDO to undertake new activities that were more responsive to the needs of Member States. Egypt had been implementing a comprehensive development strategy that focused on the modernization of its industrial base. The implementation of that strategy required close cooperation with UNIDO, which had the necessary experience and capacities in that area. Egypt was making every effort to mobilize adequate financial resources to ensure the success of the technical cooperation programme agreed on with the Organization in 2000. The Secretariat and Member States should support Egypt's efforts in that regard and contribute to the implementation of the programme.

49. Adequate financial resources would enable the Organization to carry out its activities more effectively, and all parties concerned should honour their financial obligations to the Organization. At the same time, every effort should be made to mobilize financial resources from all sources to finance UNIDO technical cooperation programmes in the developing countries. The low level of voluntary contributions and the continued low rate of regular budget allocations for technical cooperation activities was a source of concern to the developing countries. The operational budget was inadequate to finance the Organization's activities. Member States should consider undertaking a review of the rules governing the financing of technical cooperation activities; it was strange that such activities should receive such a modest share of the regular budget. The imbalance existing in the apportionment of resources between administrative costs and technical cooperation activities should be corrected, and technical cooperation activities given the priority that they deserved.

50. His delegation fully supported UNIDO's field activities, which were the major channel through which the Organization could achieve its objectives, especially in developing countries. He wished to pay tribute to the excellent performance of the Organization's programme for the Arab countries, and welcomed UNIDO's field representation in the Arab region. The Government of Egypt was making every effort to support and cooperate with the UNIDO Regional Office in Cairo.

51. **Mr. TAKASU** (Japan) said that the Annual Report 2001 contained encouraging signs of the Organization's stability. Technical cooperation delivery had risen to about US$ 85 million, and UNIDO's delivery capacity had improved. Moreover, in 2001 the collection rate of assessed contributions had increased to more than 90 per cent. That demonstrated that UNIDO was making efforts to regain the confidence of Member States. Such positive trends reflected Member States' appreciation of the financial and administrative reforms that had been carried out over the past four years. His delegation wished to reiterate that management reform should be a continuous process and should have the objective of improving the Organization's productivity, and hoped that further efforts would be made to strengthen the system of responsibility and accountability in the Secretariat.

52. Reform was only a step towards achieving the Organization's objectives, and the value of UNIDO should be judged by its ability to achieve tangible results in its substantive programmes. UNIDO was becoming a more focused and effective organization with a track record of concrete results. It should gain better recognition in the international community and become a truly universal organization. In order to achieve that goal, UNIDO must concentrate more closely on a number of areas covered by the Business Plan and the medium-term programme framework, 2002-2005. Japan would make every effort to cooperate with UNIDO, and had decided to put forward an outline of a UNIDO strategy paper, a copy of which would be distributed.

53. UNIDO should focus its technical cooperation activities on areas in which it had a comparative advantage over other agencies. Its activities should be based on strengthening industrial capacity and promoting investment in developing countries, and cleaner and sustainable industrial development. In both of those areas, UNIDO should be guided by the emerging interests and concerns of developing countries, which faced changing conditions in the areas of international trade and investment.

54. His delegation wished to continue consultations with other Member States and, taking their suggestions fully into account, seek a convergence of views that would lead to the Board's endorsement of the finalized UNIDO strategy paper. The Secretariat should facilitate those consultations by preparing, by the end of August 2002, a background paper that illustrated how the programmes would be affected by the UNIDO strategy

paper and how the Organization could respond to the issues addressed in the paper. His delegation hoped that its initiative would help to make UNIDO an even more effective and viable organization.

55. **Ms. RAMIS-PLUM** (France) welcomed the improvements in the operation and image of UNIDO. The Organization must continue to move forward while at the same time consolidating the progress made.

56. The impact of the integrated programmes continued to be hampered by inadequate funding. Finances should therefore be periodically re-evaluated so as to find imaginative solutions to the problem. France was the third largest contributor to the Organization's regular budget and had also recently made voluntary contributions to several activities. It had funded the programme for pollution reduction in gold mines in Ghana, and its share of unencumbered balances had been used to co-finance an integrated programme in the Lao People's Democratic Republic. France was also interested in strengthening bilateral and multilateral cooperation with UNIDO and was supporting, on a bilateral basis, a project in the Republic of Guinea for quality control of fishery products. In Algeria, UNIDO was due to implement the quality-related component of a French cooperation project designed to provide institutional support for economic development.

57. The Organization's commitment to regional development, particularly in Africa, was illustrated by the signing of an agreement with the West African Economic and Monetary Union, the inauguration of the UNIDO-Africa Investment Promotion Agency Network, the activities of the UNIDO Regional Industrial Development Centre in Lagos, the Organization's active participation in the Third United Nations Conference on the Least Developed Countries and its involvement in the New Partnership for African Development.

58. The International Conference on Financing for Development in Monterrey, Mexico, in which UNIDO had participated, had emphasized the need for a "globalization of solidarity" and laid the foundations for the forthcoming World Summit on Sustainable Development. It had also given the European Union countries, and France in particular, the opportunity to demonstrate their commitment to promoting sustainable development in the poorest countries. France would be following with interest the Organization's efforts to promote partnerships between public and private investors in the wake of the Monterrey Conference. It also welcomed the Organization's projects on sustainable energy and access to water.

59. The recent structural reform of UNIDO and the new Human Resources Management Framework should soon result in improved efficiency. The increased synergy between UNIDO Headquarters and the Investment and Technology Promotion Offices was also to be welcomed.

60. Rules regarding the use of the Organization's official languages and working languages should be respected. Some of the most important official documents were translated either late or not at all. While France encouraged reforms permitting budgetary savings and productivity gains, such reforms should not be used as a reason for departing from the established rules, at a time when technological advances were assisting the translation process. Cultural diversity was a precondition for genuine dialogue on development models.

61. **Mr. PAULINICH** (Peru) said that the format and content of the Annual Report reflected the progress made in 2001 in the Organization's transformation process. In that regard, he commended UNIDO activities to promote the industrial development of Peru, which took the form of diverse cooperation initiatives.

62. In February 2001, UNIDO had approved a project on the sustainable development of biodiversity as part of a plan to develop the border region between Peru and Ecuador. That had made it possible to conduct feasibility studies on alternative uses of biodiversity in the area of Loreto and north-east of the Marañón river in order to identify new opportunities for sustainable development for the benefit of the populations of those regions, and to contribute to the conservation of the flora and fauna and the ecosystem shared by Peru and Ecuador.

63. In 2001, the Government of Peru had signed a memorandum of understanding with UNIDO concerning Peru's participation in the Technology Foresight Programme for Latin America. The objective of the Programme was to establish a Latin American network that would ensure the effective exchange and dissemination of information, which would be made available to both the public and private sectors.

64. In November 2001, a seminar had been held in Lima under UNIDO auspices on biotechnology and food security. The seminar had provided an opportunity for experts from the Organization to meet with representatives of various Peruvian sectors and explain the advantages that UNIDO could offer as executing agency for GEF. The development of biotechnology and the strengthening of capacities to exploit the resources of countries with considerable biodiversity were essential, and UNIDO should continue its efforts in that area.

65. In January 2002, GEF had approved the necessary resources for the Peru-Chile project on the Integrated management of the Humboldt Current Large Marine Ecosystem. That was the first time that UNIDO, as

executing agency, was responsible for the joint technical and scientific implementation of a GEF project.

66. The Organization's primary role was to provide technical cooperation services. The guidelines contained in General Conference resolution GC.9/Res.2, entitled "Medium-term programme framework, 2002-2005", would enable UNIDO to adapt those activities and its other functions and priorities to new international economic developments and to promote cooperation initiatives.

67. It was important to promote South-South cooperation activities. Peru was in favour of horizontal cooperation with a thematic approach that took into account each country's comparative advantages. That would enable the developing countries to benefit from their own potential, particularly at the regional and subregional levels. UNIDO should consider the possibility of developing technical cooperation programmes at the subregional level that involved two or more countries, since that would help to cut implementation costs, develop economies of scale and promote comparative advantages.

68. **Mr. MOTTAGHI NEJAD** (Islamic Republic of Iran) said that UNIDO's technical cooperation programmes addressed different dimensions of sustainable industrial development. The most significant change in the Organization's programmatic activities had been the introduction of demand-driven integrated programmes based on the agreed service modules. While most countries had supported that initiative, additional political will and practical support were necessary to ensure the success of the programmes. Since it had not been possible to guarantee full funding for some national integrated programmes, integrated implementation with the desired synergetic impact had not materialized. Further consultations between all stakeholders would facilitate the smooth implementation of the programmes.

69. Growth in technical cooperation delivery in 2001 and the prospects for further improvement in 2002, as well as the positive trends in the collection rate for 2002 assessed contributions, and the agreement of a few Member States to settle their arrears through a payment plan, helped the Organization's financial situation. The improvements were the result of a transformation process that had been carried out in close consultation with Member States. The continuation of that process with the involvement of all Member States should increase the success of UNIDO activities.

70. The Organization should concentrate its efforts on the mobilization of additional funds to reinforce its technical efficiency in the field of science and technology. The promotion of South-South cooperation would further consolidate the Organization's position. Since UNIDO had experience in linking science and technology with industry, it had a leading role to play in coordinating and supporting the development agenda of the United Nations system, through interaction with global forum activities.

71. **Mr. V. G. GARCIA III** (Philippines) said that the Philippines supported UNIDO activities in the area of investment promotion and institutional capacity-building, particularly the development of SMEs. The major problem for SMEs the world over was the lack of finance in general and of equity in particular. UNIDO should expand the geographical coverage of its innovative approach in that field and strengthen its cooperation with private-sector equity funds to obtain adequate investment and technical support for the establishment of job-creating SMEs, particularly in rural areas.

72. UNIDO should broaden the scope of its sectoral support activities to cover other agro-industry sectors that utilized home-grown, renewable and environmentally sound resources. In the Philippines alone, there were numerous indigenous raw materials that could be promoted in different parts of the country and utilized for the production of export-oriented products. Statistics indicated that such products could significantly increase the Philippines' export earnings.

73. His delegation was pleased to note the Organization's increased cooperation with GEF and other organizations in the implementation of international environment-related conventions. Together with Slovakia, the Philippines was implementing a GEF-funded project on the use of non-combustion technologies for destroying persistent organic pollutants. UNIDO should explore the possibility of tapping the resources of GEF for designing and financing a project on ecotourism. As a country with much natural beauty, the Philippines believed that such an undertaking was one way to manage serious environmental concerns while at the same time creating jobs and contributing to economic growth.

74. His delegation took note of the Organization's in-depth analysis of the current situation of field offices and their contribution to technical cooperation delivery. In that regard, the Director-General should appoint a UNIDO resident representative to the Philippines as soon as possible; the post had been vacant since 1998. A UNIDO representative who had recently returned from a mission to the Philippines had noted that there were many prospective projects in the Philippines, the proper development of which required a full-time UNIDO representative. UNIDO was currently executing a project to enhance the delivery of services for the development of micro and small industrial enterprises in the marginalized sectors of Mindanao.

75. One yardstick of the Organization's success was the maintenance of sound financing. In that respect, his delegation welcomed the Organization's improved collection rate for assessed contributions and the reduction of some of its costs. It was also encouraged by the increasing level of voluntary contributions. UNIDO should strengthen its cooperation with other organizations of the United Nations system to increase fund mobilization. While the level of technical cooperation delivery had increased by 24 per cent in 2001 over the previous year, UNIDO should endeavour to improve that figure in order to ensure the effectiveness of its services.

76. **Mr. de GUZMAN** (Bolivia) said that the Annual Report described the various characteristics of the Organization's cooperation activities. In order to be effective and ensure more equitable economic growth, additional assistance would be necessary. Member States should work with UNIDO in a coordinated manner to ensure that the right to development became a reality for all.

77. The Government of Bolivia welcomed the Organization's participation in various international forums dealing with industrial development. The Industrial Development Forum organized by UNIDO in December 2001 had promoted a frank and constructive dialogue on various aspects of industrial development. The Forum had addressed issues that were of special interest to Bolivia, including the promotion and strengthening of technology transfer, which would contribute to the productive capacity of the developing countries.

78. With regard to environmental protection, his delegation considered that it was necessary to encourage the use of technologies that reduced the risk to the climate and promoted the integrated and sustainable use of natural resources. That implied the implementation of programmes and projects with appropriate technologies, and the diversification of production based on quality-control guidelines. UNIDO had valuable experience in that area.

79. His delegation welcomed the conclusion of agreements between GEF and the United Nations Environment Programme (UNEP) in the interests of coordinated cooperation.

80. The Government of Bolivia was very interested in the Organization's work in the field of human resources development. Human resources development was a real investment and its results could help to improve productive capacities and facilitate the development of new technologies.

81. During the period under review, UNIDO had strengthened its implementation of integrated programmes and had sought to ensure their sustainability and profitability. An integrated programme, covering such areas as cleaner production, waste management and pollution control, had been approved in 2001, and the competent authorities, in cooperation with UNIDO, were currently studying the measures needed to ensure the implementation of the programme as a whole.

82. **Mr. MAKKI** (Observer for Yemen) welcomed the Annual Report 2001 and said that the technical cooperation activities of UNIDO were particularly important for developing countries. It was therefore disappointing to note that the level of funds for technical cooperation had fallen in recent years. His delegation hoped that the Organization would do its utmost to mobilize more funds in the future.

83. Since 1995, Yemen had been implementing economic, financial and administrative reforms with a view to achieving economic stability. Its second five-year plan aimed to direct private-sector investment into the most promising areas of the economy, notably manufacturing and tourism, diversify the country's industrial base and employment possibilities, increase levels of income and expand exports. A privatization programme had been launched with the assistance of UNIDO. In addition, an investment code was being drawn up to help attract both local and foreign investment.

84. His delegation welcomed the Organization's integrated programmes, which were being implemented despite the shortage of funds. UNIDO assistance had enabled Yemen to strengthen its industrial capacity and thereby make progress towards eradicating poverty. Yemen had applied to join the World Trade Organization (WTO) and, in that context, hoped for the support of UNIDO, other organizations and donor countries in order to modernize its industrial sector, improve its growth rate, expand employment opportunities, stimulate small and medium enterprises and restructure the private sector.

85. **Mr. URRUELA** (Guatemala) said that the Annual Report provided a clear and objective description of the Organization's activities and the progress that had been achieved in the implementation of specific programmes to meet the particular needs of different developing countries.

86. The integrated programme for Guatemala had incorporated the concept of geographical regions, both for SMEs and for energy and environment. Two departmental offices had been opened, in Petén and Quezaltenango, to support SMEs, in addition to the Government's new offices in Guatemala City, which contained facilities for conducting training courses. Petén was a large, sparsely populated jungle region and

had difficulties in obtaining adequate supplies of electric energy and drinking water. Owing to its many Mayan archaeological sites, the region was a potential tourist area. The integrated programme had had an important impact in the region, since the local population had previously had little access to technology and information and few opportunities to engage in economic activities.

87. Another innovative component of the integrated programme was that it addressed the problem of technical barriers to trade and the need for means of ensuring effective quality control. A preliminary study conducted by UNIDO with Guatemalan companies that exported goods to North America indicated that tens of millions of dollars were being lost as result of non-tariff barriers. In the light of that situation, Guatemala had sought to find a quality component that would meet the specific requirements for gaining access to North American Free Trade Agreement (NAFTA) markets. Guatemala had concluded a free trade agreement with Mexico that had recently entered into force.

88. The Government of Guatemala had paid its assessed contribution to the Board for 2001in full, and was making preparations to pay its contribution for 2002. It also planned to make contributions to the Industrial Development Fund.

89. The success of the integrated programmes was directly linked to the availability of financial resources from voluntary contributions. His delegation reiterated its appeal to potential donors to contribute to those programmes in order to ensure their success in all the countries in which they were being implemented.

90. His delegation commended the regional and subregional approach that the Director-General had adopted with a view to involving UNIDO in efforts to meet the challenges of globalization, particularly with regard to market access and technical barriers to trade, coordinating efforts with such other agencies of the multilateral system as the International Trade Centre (ITC) and the World Trade Organization.

91. Since the adoption of the Marrakesh Agreements in 1994, the developing countries had received very little technical cooperation from the international agencies to enable them to meet the requirements of the Agreements. In that regard, his delegation commended the decision to establish a UNIDO office in Geneva, with an adequate level of resources to work towards those objectives and interact with other agencies with similar mandates.

92. **Mr. PRAYITNO** (Indonesia) said that the reform and restructuring of the Organization should serve as a means of enhancing technical cooperation delivery through greater efficiency, effectiveness and coordination among branches, ITPOs and field offices. That would enable UNIDO to become a more focused, relevant and capable organization. The reforms had provided the Organization with the necessary conditions for improving its technical cooperation activities.

93. His delegation noted with appreciation the improvement of the Organization's financial situation in 2001. The collection rate for assessed contributions had increased and voluntary contributions by Governments had risen. That encouraging development demonstrated Member States' commitment to the further strengthening of the Organization.

94. It was encouraging to note the positive developments with respect to technical cooperation approvals and delivery. Net project and programme approvals had increased from $76.9 million in 2000 to $85.6 million in 2001. Technical cooperation delivery had risen from $68.7 million in 2000 to $84.9 million in 2001. The Organization's delivery capacity had improved, and its activity in the formulation and development of country service frameworks was encouraging. Those efforts should be accompanied by a feasible funding strategy to ensure the effective implementation of country service frameworks.

95. His delegation was concerned at the inadequacy of funds to finance the implementation of the planned integrated programmes. Joint efforts—involving UNIDO, donor countries and recipient countries—to mobilize funds for those programmes should be strengthened. UNIDO's increased cooperation with other organizations and funds, as well as its activities under international protocols and conventions, was commendable. Such cooperation might help to mobilize funds for programme implementation.

96. The Organization's services and performance depended on the professional qualifications of its staff. The Secretariat should consider distributing vacancy announcements to Member States within a more reasonable period of time in order to enable States to find the best qualified candidates. Due regard should also be paid to the importance of recruiting staff on a wide and equitable geographical basis, without compromising professionalism.

97. The Organization's efforts to improve performance measurement and introduce a prototype "balanced scorecard" were encouraging. That initiative should be further developed in the light of UNIDO's experience.

98. In the current global economy, many developing countries and countries with economies in transition risked becoming marginalized. ITPOs should help to bridge the gap between the developed and developing countries through technology transfer and investment

promotion, which were essential for sustainable economic growth and poverty eradication. It was important to disseminate information to Member States regarding the role, objectives and opportunities offered by ITPOs. His delegation could support the proposed guidelines on ITPOs.

99. With regard to the International Conference on Financing for Development, his delegation appreciated the Organization's initiatives in the field of venture capital and enabling countries to participate in international trade by strengthening supply capacity. Such initiatives should be followed up. The Organization's active involvement in preparations for the World Summit on Sustainable Development was encouraging. UNIDO should continue its efforts to stress the importance of industrial development in the Preparatory Committee for the Summit. His delegation supported UNIDO's exploration of so-called "type II" initiatives focusing on such important sectors for sustainable industrial development as technology transfer, access to energy for sustainable development, cleaner production centres and corporate social responsibility.

100. **Mr. KANGAI** (Observer for Zimbabwe) welcomed the Organization's efforts to promote industrialization in developing countries and said that the financing of such efforts should not be negatively affected by the participation of UNIDO in global forum activities. The integrated programmes were a useful tool in industrialization efforts and were of particular importance to Africa. However, the funds raised for their implementation fell far short of the amount required. His delegation therefore thanked those Member States which had made voluntary contributions and urged all Member States to give their political, moral and financial support so that the integrated programmes could be implemented in full. New ways to enhance implementation should also be explored.

101. The Government of Zimbabwe appreciated the interest shown by UNIDO in the industrial development of Zimbabwe and had offered UNIDO the use of offices in the centre of Harare at the Government's expense. The offices might eventually be used as an industrial development laboratory for Southern Africa. The Organization's intervention in agro-industries in Zimbabwe was also appreciated, at a time when the Government was completing a Land Reform, Reclamation and Equitable Resettlement Programme.

102. **Mr. JENKINS** (United Kingdom) welcomed the Annual Report 2001 and the fact that it showed a recovery in the level of technical cooperation delivery. He also welcomed the progress of management reforms in the Organization, including the introduction of a prototype balanced scorecard, the development of a three-phase Human Resources Management Framework, the restructuring of the Secretariat and improvements in recruitment. Reform of the Organization's field network was rightly being treated as a priority. Improved communications and management processes would bring rewards without the need for additional resources. Selection and training of staff also played a key role.

103. As a relatively small player on the global development stage, UNIDO should focus its efforts on a small number of areas of intervention in which it had a "critical mass" of expertise and experience. In that context, his delegation welcomed the proposal of Japan for a UNIDO strategy paper. The notion of critical mass could also be used to identify existing areas of activity that might best be discontinued. One area in which UNIDO had a comparative advantage was standardization and quality control. The Director-General's recent initiative aimed at enabling developing countries to participate in international trade was to be welcomed. The United Kingdom authorities were finalizing a decision to contribute to the trust fund set up to underpin the initiative and he expressed the hope that other countries would also contribute.

104. Several agencies were active in the area of trade-related capacity-building. Inter-agency coordination was therefore essential in order to avoid duplication. The Organisation for Economic Cooperation and Development (OECD) and the World Trade Organization were creating a database of trade-related technical assistance options to support do[illegible] coordination. It was to be hoped that UNIDO would take due note of the assistance it could offer. His delegation also welcomed the close association of UNIDO with the Integrated Framework for Trade-Related Technical Assistance, including for Human and Institutional Capacity-Building, to Support Least Developed Countries in their Trade and Trade-Related Activities. He would like to know whether UNIDO had studied the "trade agendas" drawn up by some least developed countries and listing the most important trade-related technical assistance needs. The Organization should indicate, if it had not already done so, which of those needs it might help meet.

105. **Mr. SREENIVASAN** (India) said that the election of the Director-General to a second term of office had been a sign of support for the transformation of UNIDO into a more dynamic and responsive organization. The upward trend in the number of project approvals and the level of technical cooperation delivery were to be welcomed. The restructuring of the Organization and the focus on demand-driven integrated programmes were also a step in the right direction. The transformation had resulted in greater recognition of UNIDO as a global forum, which would in turn help the Organization's efforts to promote economic and social development in developing countries.

106. For a time, it had seemed as though the United Nations had no role to play in industrialization in developing countries, and UNIDO had been weakened by the withdrawal from it of certain important countries. However, there was a new realization that governmental and intergovernmental efforts could supplement and even correct the unbridled operation of market forces. UNIDO had carved out a niche for itself through its innovative approaches to sustainable development. The renewed interest in UNIDO of countries like the United Kingdom and Japan was to be welcomed. However, 20 States Members of the United Nations remained outside UNIDO, and his delegation urged the Director-General to establish contacts with those countries with a view to bringing them into the Organization. The ideal centre for such an effort would be New York. The Director-General might also wish to lead missions to certain capitals to discuss the benefits of membership. It would be useful for the Board to establish a target date for the Director-General to report on his efforts. The delegation of India had just circulated a draft decision on the subject for consideration by the Board.

107. The International Centre for Advancement in Manufacturing Technology (ICAMT) had been established by UNIDO and the Government of India. The pilot phase had been successfully completed and a three-year operational phase had been approved, to which the Government of India had agreed to contribute US$ 1.8 million. The Centre had initiated a number of sectoral projects, the number and geographical scope of which were likely to expand during the operational phase. The Centre's activities could be integrated with other UNIDO programmes so that appropriate manufacturing technologies could be transferred to other developing countries.

108. The Organization's public-private partnership programme in the automotive sector in India aimed to make domestic enterprises globally competitive. The programme was entering its second phase with the benefit of lessons learned during the first. If successful, the programme could be used as a model for other sectors in India and other countries.

109. The delegation of India welcomed the attention paid by UNIDO to environmental sustainability, which was reflected in the high number of approvals under the Montreal Protocol and the funding obtained from the Global Environment Facility. A UNIDO-Swiss project to promote cleaner production technologies was due to be implemented in India. A GEF project on coal bed methane recovery was also being implemented, but other GEF projects were yet to be taken up. The preparation of a Country Service Framework (CSF) for India was appreciated and the UNIDO country office in New Delhi had been upgraded to a Regional Office. The Regional Office would have a greater role to play in making the Framework a reality, for example by implementing programmes to promote the growth and competitiveness of small and medium enterprises.

110. The delegation of India welcomed the improved collection rate of assessed contributions and the large proportion of the 2002 appropriations initially allocated for regular budget implementation. Voluntary contributions, already increasing in number, were likely to flow faster with the success of the integrated programmes. India had paid its assessed contributions regularly and was also contributing voluntarily to the Industrial Development Fund. It encouraged other Member States to pay their assessed contributions regularly and, where applicable, settle their arrears.

111. UNIDO needed to implement its technical cooperation programmes effectively through competent management and greater decentralization to field offices in order to maintain its recent success and build on the good start already made in 2002.

112. **Mr. BERDENNIKOV** (Russian Federation) said that the Annual Report 2001 showed that the Organization was making progress with the reforms set out four years previously in the Business Plan on the Future Role and Functions of UNIDO. As a result of the reforms, UNIDO was playing a more visible role in the United Nations system, and its initiatives in the areas of the promotion of trade and technology transfer and of energy development had met with international approval. Its activities relating to energy and the improvement of access to export markets were important not only for developing countries but also for countries with economies in transition. The integrated programmes were proving to be an effective tool for delivering technical cooperation and making good use of the Organization's financial and human resources. The Secretariat should continue its work in that field.

113. Contacts between UNIDO and other United Nations system organizations and the Bretton Woods Institutions were being expanded in order to mobilize more resources. The Organization's cooperation with the private sector was particularly important. As part of the Global Compact initiative, a round table had taken place in Moscow in November 2001 with the participation of representatives of Russian business and leaders of international agencies, including the Director-General of UNIDO. A national coordinating committee had been set up in the Russian Federation to develop projects and programmes linked to the Global Compact. The Russian delegation also welcomed the Organization's support for small and medium enterprises, which it saw as a priority in the new programme of cooperation between the Russian Federation and UNIDO for 2002-2005.

114. Like other Member States, the Russian Federation welcomed the restructuring of the Secretariat, which

was aimed at improving programme management, coordination and accountability and developing the Organization's global forum function. It also supported proposals to expand the Organization's membership. With regard to the recruitment of managing directors, the main criterion was their level of professional competence; however, the principle of equitable geographical representation should also be taken into account.

115. **Mr. SAHINBAS** (Turkey) welcomed the process of reform in the Organization outlined in the Annual Report 2001, and the improvements it had yielded in technical cooperation delivery and financial and administrative efficiency. UNIDO should implement a new strategic vision with an emphasis on sustainable industrial development as the main instrument for reducing poverty in developing countries and countries with economies in transition. The integrated programmes provided an effective framework for achieving that aim. His delegation also welcomed the slimming-down of the service modules from 16 to eight and the plan to develop means of tracking the objectives of integrated programmes more efficiently. Another positive development was the improved delivery capacity of UNIDO, indicated by the upward trend of the technical cooperation leverage ratio. Realistic funding plans were crucial to the success of the integrated programmes. Global forum activities could also improve the ability of UNIDO to help developing countries in their quest for poverty alleviation and integration into the global economy. The Organization's participation in the Third United Nations Conference on the Least Developed Countries was an example of synergies between global forum and technical cooperation activities.

116. The funds for the regional programme to develop small and medium enterprises in Azerbaijan, Kyrgyzstan and Uzbekistan had been transferred to the Industrial Development Fund at the beginning of 2002. It was to be hoped that the preparations for the programme would be finalized by UNIDO shortly. The international workshop and study tour in the field of agro-industries had been held in January 2002 in Turkey with the financial support of UNIDO. The Government of Turkey was willing to continue to support integrated programmes in areas where it had expertise, particularly if UNIDO continued to provide financial support.

117. Turkey welcomed the recent strengthening of cooperation between UNIDO and the Black Sea Economic Cooperation Organization (BSEC), which was particularly important for the development of small and medium enterprises and investment promotion. A vibrant small and medium enterprise sector was essential for sustainable development and higher living standards. The increased cooperation could also accelerate the implementation of the relationship agreement between UNIDO and BSEC, which had been signed in 1997.

118. Environmental considerations should form an integral part of sustainable development. UNIDO played an important role in implementing the Montreal Protocol and cooperated effectively with GEF. Its efforts to promote energy efficiency and access for developing countries also deserved support. It had been given responsibility for a country-wide methyl bromide phase-out project in Turkey.

119. A technology foresight programme had been initiated in Turkey. Turkey also continued to co-finance the activities of the UNIDO Centre for Regional Industrial Cooperation and would appreciate more financial support from UNIDO Headquarters for the Centre's projects. Net approvals from UNDP core funds had fallen dramatically in recent years and greater efforts were therefore needed to mobilize non-core funds from multilateral and bilateral sources.

120. UNIDO had completed a challenging reform process and should now focus its activities on areas where it had comparative advantage and further enhance its work on sustainable development.

The meeting rose at 6.25 p.m.

Distr.
GENERAL

IDB.25/SR.3
12 June 2002

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-fifth session

SUMMARY RECORD OF THE 3rd MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 16 May 2002, at 10 a.m.

President: Mr. HORVÁTH (Hungary)

CONTENTS

Agenda item		*Paragraphs*
3	Annual report of the Director-General on the activities of the Organization in 2001 (*continued*)	1 - 78
4	Financial situation of UNIDO	79 - 93

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Translation and Editorial Service, room D0710.

In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued after the end of the session.

V.02-54810 (E)

Distr.: 20 June 2002

The meeting was called to order at 10.20 a.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 2001 (*continued*) (IDB.25/2 and Add.1; IDB.25/CRP.7, IDB.25/CRP.8)

1. **Mr. S. L. MOHAMMED** (Nigeria) said that so far only about 30 per cent of the required amount of US$ 257 million had been mobilized for the funding of the Organization's 44 integrated programmes. There was a general decline in resources for technical cooperation, but the demand for UNIDO's expertise in the developing countries, including Africa and the least developed countries (LDCs), was growing. Nigeria called upon all Member States and donor countries to increase their voluntary contributions to UNIDO, in particular to the Industrial Development Fund, and facilitate access to funds available from bilateral sources to finance the implementation of the integrated development programmes.

2. The Government of Nigeria had approved and released the sum of US$ 1 million in 2001 for the trust fund established for the implementation of the country service framework for Nigeria. In 2002, Nigeria had allocated US$ 5 million to the fund from its budget. The country service framework should help to strengthen Nigeria's ailing industrial sector.

3. The financial situation of UNIDO was gradually improving. While his delegation was pleased that the rate of collection of assessed contributions had increased, it noted with concern that the voting rights of many countries continued to be suspended. Nigeria welcomed Ukraine's payment of the first instalment of its contributions under the payment plan that had been approved at the ninth session of the General Conference. All Member States that had not yet done so should pay their assessed contributions in full and make use of the payment plan mechanism to settle their arrears.

4. His delegation was in favour of any activity that enhanced the visibility of UNIDO, and supported global forum activities. However, such activities should be undertaken only if they would have a direct impact on technical cooperation delivery. His delegation noted the Organization's participation in the International Conference on Financing for Development in Monterrey, Mexico, and in the forthcoming World Summit on Sustainable Development in Johannesburg, South Africa. It urged the Secretariat to make adequate preparation for effective participation in such meetings and to ensure that their follow-up dovetailed with UNIDO's technical cooperation activities.

5. The 1997 Business Plan on the Future Role and Functions of UNIDO had been aimed at making the Organization more responsive to the needs of its clients, and it had called for substantive deployment to the field. Particular emphasis should continue to be placed on the role of the field offices in the formulation and implementation of technical cooperation programmes and projects. While his delegation supported the consolidation of the existing structure at UNIDO Headquarters, it hoped that the current restructuring exercise would be the last that the Organization would undertake in the near future. UNIDO needed time to stabilize, and the various officials should be given substantive responsibilities in the performance of their tasks.

6. His delegation urged all Member States to assist UNIDO in its efforts to provide technical assistance to the developing countries. The Organization had an important role to play in Africa's implementation of the New Partnership for African Development (NEPAD).

7. **Mr. MORALES CARBALLO** (Cuba) said that UNIDO was capable of playing a more active role in promoting sustainable industrial development in the developing countries. Sustainable industrial development could be achieved only with the cooperation of the international community. His delegation fully supported the concept of integrated programmes as the most suitable procedure for technical cooperation.

8. The integrated programme for Cuba, which had begun at the end of 1999, had been consistently implemented and had concentrated available resources on increasing competitiveness in production related to the tourist sector. Efforts had been made to strengthen the food industry, promote the application of information technology to the industrial sector, ensure the quality control of meat, milk and vegetable products, increase energy efficiency, protect the environment, improve business management, foster cleaner production and promote foreign investment. The Government of Cuba was fully committed to achieving all the objectives of the integrated programme.

9. His delegation supported the Organization's intention to concentrate its activities in areas that offered advantages for the developing countries.

10. **Ms. ZVEREVA** (Belarus) said that UNIDO had achieved stability and enhanced its global forum function, and an agenda for strategic research activities had been finalized. Strategic research relating to technology transfer, development of small and medium enterprises (SMEs) and market access would help developing countries and countries with economies in transition to revitalize their economies; it should also result in the implementation of relevant technical cooperation projects.

11. Her delegation was in favour of the further development of the Regional Programme on Technology Foresight for Central and Eastern Europe and the Newly Independent States. Technology foresight played a key role in economic growth and was of paramount importance to countries with economies in transition. In Belarus, technology foresight was an area that had not received sufficient attention, and the Organization's assistance in training national experts to prepare a national technology development strategy would have a considerable impact on the economy as a whole.

12. Her delegation welcomed the increase in technical cooperation in 2001, and commended the steps that UNIDO had taken to mobilize funds, improve project effectiveness and take into consideration the views of recipients of technical assistance. At the same time, Belarus was concerned at the trend towards reducing the level of technical cooperation for Europe and the Newly Independent States. Her delegation had repeatedly stressed that investment in the modernization of the industrial potential of countries with economies in transition would benefit the Organization, since UNIDO's assistance would help to transform the States of the region into donor countries.

13. Belarus was interested in developing active cooperation with UNIDO. In December 2001, the National Technology Transfer Centre, which had been established as part of a UNIDO project, had opened in Minsk. As curator of the project, the Deputy to the Director-General of UNIDO had taken part in the opening ceremony and had later met with representatives of Belarusian ministries and research institutes. She hoped that the agreements reached in those meetings would serve as the basis for the further development of cooperation between Belarus and UNIDO.

14. The National Technology Transfer Centre had contributed to the transfer of technology to the Chinese province of Shandong. Fourteen agreements on the creation of new enterprises based on technology transfer from Belarus to China had been signed, and over 100 research projects were being considered by China. Technical partnerships had been established with two other Chinese provinces.

15. Belarus was currently holding talks with the Secretariat on the preparation of a project for the promotion and application of developments in the field of renewable sources of energy. Her delegation hoped that the Secretariat would support that initiative, which could be implemented at both the national and regional levels.

16. **Mr. ZHANG Yan** (China) said that his delegation was pleased to note the increase in the number of new programmes approved in 2001 and in the adoption of technical cooperation projects. Over the past year, UNIDO had participated in a series of international conferences, including the International Conference on Financing for Development, which had opened new horizons for the further development of UNIDO and its cooperation with other international organizations and agencies. The International conference had also strengthened the Organization's role and impact and heightened its visibility in the international arena.

17. Over the past year, cooperation between UNIDO and China had increased significantly, particularly in the areas of investment and technology promotion and environmental protection. The Investment and Technology Promotion Office (ITPO) that UNIDO had recently opened in Shanghai had attracted foreign investment to China. His delegation urged UNIDO to ensure a greater participation of ITPOs in the national investment forum held every September in Xiamen, China. The involvement of UNIDO would help government agencies to publicize and utilize the ITPO Network to improve China's contacts with the outside world.

18. Very positive cooperation in the field of environmental protection had been developed between UNIDO and the Government of China and progress had been made in securing financing through the Global Environment Facility (GEF) and foreign direct investment. His Government intended to organize an international workshop in that field in cooperation with UNIDO. It was making every effort to ensure that the workshop was a success, and his delegation hoped that all interested Member States would participate in it.

19. Although China had been making outstanding progress in economic development over the past decades, certain remote areas in western China had been lagging behind. China hoped that UNIDO would play an active role in developing those areas by providing assistance in poverty alleviation and the promotion of industrial development.

20. **Mr. NOBILO** (Croatia) said that cooperation between UNIDO and other organizations and bodies of the United Nations system in the field of poverty alleviation should be strengthened. His delegation welcomed efforts to increase the programmatic dialogue between the European Union and UNIDO, and hoped that developing countries would benefit from that cooperation. It also welcomed the finalization of agreements between UNIDO and GEF which had paved the way for a number of projects, including a project on persistent organic pollutants (POPs) in Croatia. That project, as well as a project that would be financed by the Government of Hungary, would further strengthen Croatia's Cleaner Production Centre and help Croatia to eliminate POPs and fulfil its obligations under the Stockholm Convention. The project would also provide decision makers, managers, industry and the general public with a better understanding of such pollutants.

21. Cooperation between UNIDO and Croatia should be intensified, particularly in the field of environmental protection and enterprise efficiency. Only a few projects involving UNIDO were being implemented in Croatia; owing to a lack of funding, a number of projects had not yet been begun.

22. His delegation was particularly interested in participating in such regional projects as the UNIDO Programme on Transfer of Environmentally Sound Technology (TEST) to Reduce Transboundary Pollution in the Danube River Basin. The regional dimension of UNIDO activities in 2001 had been substantive, and his delegation commended the organization of the Regional Conference on Technology Foresight for Central and Eastern Europe and the Newly Independent States and the Warsaw Regional Forum on E-Productivity and Quality. Such conferences could lead to the formulation of programmes in which Croatia could participate.

23. The further success of the transformation and revitalization of UNIDO would give it a new identity and enhance its position within the United Nations system. The Organization should continue to participate in international efforts to promote industrial development and poverty alleviation in pursuit of the goals of the Millennium Declaration.

24. **Mr. CHUNG Hae-moon** (Republic of Korea) commended the Director-General on UNIDO's successful performance during his first term in office: financial resources had been replenished, structural reform and staff reduction had increased the Organization's efficiency and an increasing number of projects and programmes had been undertaken in the developing countries. His delegation supported the Director-General's efforts to make UNIDO a more relevant and result-oriented organization.

25. UNIDO should increase its focus on programmatic activities to promote the sustainable development of countries in need. It should expand its integrated programmes in developing countries and expedite the implementation of the integrated programmes currently being prepared. At the same time, UNIDO should step up its funding efforts in order to ensure the stability and effectiveness of the integrated programmes. In that context, his delegation welcomed the proposal for a UNIDO strategy paper put forward by the Government of Japan. The objective of the proposal was to give the Organization a more focused and result-oriented approach. He hoped that action would be taken on the proposal.

26. **Mr. NAQVI** (Pakistan) said that, over the past few years, there had been an enormous improvement in the Organization's overall performance. The donor countries were more favourably disposed towards UNIDO, and the payment of assessed contributions by developing countries had improved considerably. His delegation urged the Secretariat to make efforts to encourage the developed countries that had left the Organization in the 1990s to return.

27. Funding for the integrated programmes remained low, and only about 31 per cent of the required funds had been available at the end of 2001. The situation was particularly unsatisfactory in the case of Asia and the Pacific. For some countries, less than 10 per cent of the funds needed had been mobilized.

28. UNIDO's integrated programme for Pakistan comprised five basic components: cleaner production and environment management; industrial capacity-building for SME development; metrology, standardization, testing, quality insurance and continuous improvement; regional development; and industrial investment promotion. In addition, UNIDO was assisting Pakistan in developing an industrial information network. Five projects for the phasing-out of the use of ozone-depleting substances in industrial processes had been completed. Those projects, including the Cleaner Production Centre for Fuels, had been funded by the Multilateral Fund for the Implementation of the Montreal Protocol and implemented by UNIDO. The Director-General's forthcoming visit to Pakistan would help to consolidate and enhance UNIDO activities in Pakistan.

29. Over the past two decades, Pakistan had sought to promote industrial development through a policy of economic liberalization, deregulation and privatization. Tariff duties had been reduced, financial institutions had been reorganized and most public-sector assets had been privatized. All sectors of the economy, including infrastructure and utilities, had been opened to domestic and foreign private-sector investment. The investment regime had been liberalized, and the Board of Investment had been restructured to provide one-window operation to encourage foreign investment. Pakistan's industrial sector accounted for 17.5 per cent of its gross domestic product (GDP).

30. Given the important role of SMEs in the development of its economy, Pakistan was paying serious attention to that sector. As a result of special policies, Pakistani SMEs were providing employment for more than 80 per cent of the industrial workforce and contributing more than 50 per cent to the export receipts of the manufacturing and value-added sector, and over 40 per cent to GDP. With further encouragement and support, SMEs could contribute even more to Pakistan's economic well-being.

31. **Mr. ZSIGMOND** (Hungary) said that the Annual Report indicated that in 2001 Asia and the Pacific and Africa had accounted for the bulk of the Organization's technical cooperation, which was in keeping with

UNIDO's mandate. As an emerging donor, Hungary had supported projects in those regions. The share of the Central and Eastern European countries and the Newly Independent States in the Organization's technical cooperation activities was about 7 per cent, which his delegation considered to be fair. The medium-term programme framework, 2002-2005, provided for technical assistance to the so-called "middle-income" countries. Hungary paid close attention to those facts when it implemented its donor policy.

32. The Regional Programme on Technology Foresight for Central and Eastern Europe and the Newly Independent States, which had been launched by UNIDO in 2001, had aroused significant interest among decision makers in the region. As a result, several national technology foresight programmes had been discussed with experts from the Secretariat. The Government of Hungary would continue to support the Regional Programme, from which Hungary had gained very positive experience. Technology foresight promoted competitiveness and economic growth and enabled countries to formulate technology innovation policies and strategies. The Secretariat should make the information on existing technology foresight programmes available to all interested parties and provide assistance in establishing new regional programmes on demand, making use of a global programme approach that would facilitate the transfer of knowledge and technology between regions.

33. His delegation fully endorsed chapter III of the Annual Report, which dealt with sectoral support and environmental sustainability. Cooperation between UNIDO and GEF was the best way to ensure the Organization's active involvement in the implementation of such important international instruments as the Stockholm Convention on Persistent Organic Pollutants. UNIDO and GEF should manage projects that assisted interested countries and regions in identifying and eliminating stockpiles of POPs. In that regard, his delegation strongly supported the meeting on strategies and priorities for the environment being organized in June by Slovakia, in cooperation with UNIDO.

34. **Mr. SCHNYDER VON WARTENSEE** (Switzerland) said that his delegation had noted with satisfaction that sub-Saharan Africa and LDCs continued to benefit from more than half of the integrated programmes. Those countries required the Organization's continued support.

35. The Organization's new integrated strategy, which involved the coordination of efforts with the strategies and activities of partner countries and measures conducted by other organizations donors, as well as within UNIDO itself, seemed particularly relevant. His delegation appreciated the spirit of dialogue that characterized relations between Member States and the Board and had made it possible to conduct a joint evaluation of the impact of the integrated programmes. More generally, his delegation commended the Organization's efforts to strengthen its cooperation with other organizations of the United Nations system, the private sector and academic circles.

36. Switzerland supported the Organization's involvement in major international conferences, such as the forthcoming World Summit on Sustainable Development, which would enable UNIDO to demonstrate its comparative advantages in the field of technology promotion, particularly the promotion of sustainable technologies.

37. His delegation attached great importance to sustainable industrial development; that area had accounted for most of Switzerland's cooperation with UNIDO over the past few years. Switzerland had also made a considerable contribution to the National Cleaner Production Centres (NCPCs) programme. The centres not only facilitated the transfer of environment-friendly industrial technologies but also helped to disseminate the international conventions on the environment. Switzerland was very satisfied with the results that had been achieved by the programme and would continue its activities in that area in close cooperation with UNIDO. It also planned to support an International Labour Organization (ILO) programme on labour standards, which could be easily applied to NCPCs. With their well-established contacts with innovative enterprises, NCPCs could assist enterprises interested in conducting activities in the fields of development and human resources management. International agencies should continue their efforts to harmonize their development cooperation activities in order to improve the impact of their programmes and avoid duplication. Consideration should be given to the establishment of new NCPCs, particularly in South Africa.

38. A week earlier, Switzerland, in cooperation with UNIDO and local partners, had launched a new programme for sustainable environmental technologies in India. In June, a similar programme would be begun in China. Those two programmes were based on the transfer of sustainable technologies and the development of environment- and resource-friendly production. Technology transfer was an important means of promoting development in the developing countries and countries with economies in transition.

39. With regard to investment promotion and institutional capacity-building, his delegation welcomed the strengthening of the role of ITPOs. At the same time, it recognized the need to update the guidelines for those offices. In order to take advantage of synergies, ITPOs and NCPCs should cooperate more closely with the Swiss Import Promotion Programme and the Swiss

Organization for Facilitating Investments. His delegation commended UNIDO on the measures it had taken to improve the system of performance indicators and introduce a new system of result-based management.

40. Environment-friendly industrialization was an area in which UNIDO had a strong comparative advantage. His delegation approved the introduction of a more sectoral approach in NCPCs with a view to improving the adoption of environmental technologies.

41. Switzerland had decided to use the unutilized balances of appropriations, income from new Member States and interest accruing to it as a general-purpose contribution to the Organization's Industrial Development Fund. In the era of globalization, the developing countries and LDCs faced a real risk of marginalization and were in urgent need of support for their efforts to broaden their industrial base and increase their participation in international trade.

42. **Mr. PALACIOS CEVALLOS** (Ecuador) said that global forum activities were important for improving the impact of industrialization on social and economic development. At the same time, the global forum should support technical cooperation, taking into account the Business Plan and the medium-term programme framework, 2002-2005. The initiatives concerning biotechnology and technology foresight in Latin America had demonstrated how the global forum role could be linked with technical cooperation.

43. In March 2002, the Director-General had visited Ecuador for the purpose of launching the integrated programme to support the sustainable improvement of Ecuador's industrial competitiveness. The Director-General had met with the President of Ecuador, the Minister for Foreign Affairs and the Minister of Foreign Trade, Industrialization, Fisheries and Competitiveness. On 19 April 2002, the integrated programme for Ecuador had been launched in Vienna, and a document had been signed on the use of the US$ 1 million in seed money, which had been allocated in equal parts by the Government of Ecuador and UNIDO, for programme activities. In addition, an agreement on the establishment of a UNIDO-administered trust fund for programme activities had been signed. The overall cost of the integrated programme, which would be implemented over a three-year period, was US$ 4.7 million. Activities under the programme included: assistance to the National Council on Competitiveness; assistance to SMEs; investment promotion and trade cooperation; and energy efficiency and cleaner production.

44. The Government of Ecuador hoped that the Organization's contribution to Ecuador's economic and social development would help it to achieve sustainable growth, increase the competitiveness of its economy, create employment and promote foreign direct investment and technology transfer. His delegation was counting on the valuable support of countries in a position to contribute to the implementation of the integrated programme for Ecuador.

45. **Mr. GONZALEZ ANINAT** (Chile) said that his Government had agreed to host a global meeting on biotechnology to be organized by UNIDO in September 2003. The President of Chile had given the event his full backing and every effort would be made to ensure that the meeting was of practical benefit for all Members of the Organization.

46. While his delegation fully recognized that UNIDO should focus its technical cooperation programmes on the industrial development of the Member States whose need for such assistance was greatest, the importance of the Organization's global forum activities should not be overlooked. General Conference resolution GC.9/Res.2 on the medium-term programme framework, 2002-2005, had stressed the importance of global issues, and biotechnology, which was crucial for raising living standards, was an issue of global concern. Over 100 million people currently benefited directly from biotechnological products such as vaccines, drugs, insulin and antibodies. Biotechnology had also contributed significantly to the food industry, the cleaning-up of contaminated soil and the production of new materials. The transgenic seed market had risen from 1 million seeds in 1995 to 3 billion in 2000, and the economic value of biotechnology in pharmaceuticals would rise to US$ 28 billion in 2004. In the face of such startling progress, it was important that ethical and legal considerations were taken into account. The forthcoming meeting on biotechnology would provide an appropriate opportunity for such discussions. It would be possible for developing countries to exchange experiences with developed countries, seek solutions to the most pressing problems and explore the possibility of industrial development agreements providing for biotechnological production in the developing countries.

47. **Mr. CHOVAN** (Observer for Slovakia) welcomed the reported improvements in the Organization's activities, and particularly in its work on the environment, which should be one of its key strengths. He confirmed his delegation's commitment to the implementation of the medium-term programme framework, 2002-2005, which remained the basis for UNIDO activities in the area of cleaner and more sustainable industrial development. Through cooperation with the respective global and regional institutions, UNIDO could play a crucial role. His delegation strongly supported new regional initiatives on the transfer of environmentally sound technologies, which must constitute the basis of sustainable long-term social and economic development.

48. Increased dialogue among Member States could assist countries in strengthening their national capabilities, enhancing understanding within the industrial sector and raising awareness among the public at large. Regional initiatives would also help them better meet the obligations of multilateral environmental agreements. In that context, he drew attention to the International Ministerial Forum on Strategies and Priorities for Environmental Industries, to be held in Bratislava, in cooperation with UNIDO, in June 2002. The Forum would aim to build awareness and elaborate strategies and priorities to improve the level of regional cooperation in the economic and environmental fields.

49. His delegation fully supported the proposed guidelines on Investment Technology Promotion Offices contained in document IDB.25/4. Widening the mandate of ITPOs would give developing countries and countries with economies in transition the opportunity to extend the range of potential sources of investment. In his country, a joint evaluation team of independent experts was to evaluate the functioning of the ITPO in Bratislava, which had been in operation for three years. He looked forward to a new era of cooperation between his country and UNIDO.

50. **Mr. TOUQ** (Jordan) said that, valuable as the Organization's global forum activities were, they should be focused on more specific issues, with goals that could, in the light of recent developments in industrial production methods, be achieved in the medium and long term. There should also be a better balance between competence criteria and geographical distribution when it came to technical assistance programmes.

51. His delegation welcomed the plans to hold an international meeting on biotechnology in Chile in 2003. Efforts should be made to ensure that all Member States, especially the least developed countries, were given the opportunity to participate.

52. UNIDO should expand its work on international cooperation for industrial development by redoubling its efforts to bring in the private sector, even though that task was complicated by the fact that UNIDO and the private sector were, in effect, sometimes in competition with each other. At the same time, UNIDO should seek to strengthen South-South cooperation, particularly by bringing to Member States' attention successes achieved in other States, so that all could benefit.

53. Much had been achieved through the integrated programmes, which displayed considerable quality and effectiveness. The policy should undoubtedly be pursued. The programmes were, however, faced with the basic problem of inadequate funding. Every effort should be made to encourage more donors to come forward. In that context, he expressed gratitude to the Government of Italy for its contribution to the integrated programme for Jordan, which had brought about a marked improvement in competitiveness in the food industry and created a more favourable business environment. The programme still, however, suffered from a 40 per cent shortfall. Employment generation in rural areas of the country was essential if poverty was to be alleviated. More funds should also be generated for capacity-building in developing countries, with a particular emphasis on marginalized groups, including women. More support should be given to integrating the private sector into international markets and improving its competitiveness under the conditions of globalization.

54. He commended the Organization's success in updating its structures and working methods. The "balanced scorecard" system for measuring performance was promising, but he cautioned against over-enthusiasm in evaluating the cascade effect: it could lead to increased pressure to appoint managers. There was evidence at international level that the result might be a waste of money and effort. A more reliable way forward was to provide more training for staff in both the Professional and General Service categories, together with more rigorous performance ratings. UNIDO still seemed to have too many staff at the top level of the Professional category.

55. **Ms. FEROUKHI** (Algeria) said that the reported developments in the technical cooperation programme were encouraging. Overall, the structural reforms in the Organization had been impressive. It was, however, important for rationalization not to be at the expense of the Organization's raison d'être: the industrial development of the developing countries.

56. One encouraging feature of the integrated programmes was that they had aroused new interest in Member States, which appreciated their innovative and challenging approach. The innovation lay in the strong partnership forged between UNIDO and the Member State concerned, which together had to find the necessary funding, while the challenge, for the State, lay both in mastering the technical aspects of the programme and in overcoming the difficulties always encountered in mobilizing funds. For all its benefits, however, such an innovative approach could also lead to delays and uncertainty. The level of funding often did not match the requirements. Her Government made an initial financial contribution in 2001 and would shortly make a second. She expressed gratitude to the Governments of France and Italy for their contributions. She also urged the Director-General to redouble his efforts to mobilize the funds required to implement the integrated programme in full.

57. The reform of UNIDO must go hand in hand with the availability of stable financial resources, and the regular payment of assessed contributions was funda-

mental. It would also be helpful if the developed countries would reaffirm their commitment to devote 0.7 per cent of their gross national product to Official Development Assistance (ODA). That would send a strong signal of international solidarity with the most disadvantaged.

58. Her Government's recent partnership agreement with the European Union and its renewed negotiations to join the World Trade Organization (WTO) were but two aspects of the country's reform programme, which would involve the progressive opening up of the economy, particularly in the energy and mining industries, agricultural food products and some service sectors. Administrative structures and practices would be reformed and legislation adopted to make investment more flexible, transparent and up to date. The reforms were all part of a US$ 7 billion three-year programme (2002-2004) to boost the economy, with the priorities being poverty alleviation, job creation, regional balance, environmental protection and sustainable development. The programme aimed at building capacity, increasing competitiveness and, above all, improving educational levels to enable the population to deal with globalization: all familiar issues for UNIDO, which it was hoped would become more closely involved with Algeria.

59. The environment and sustainable development were linked in a 10-year programme, with a total value of US$ 910 million, which incorporated the environmental dimension within economic and social development. In that context, she invited the country's bilateral and multilateral partners to an international conference to be held in Algiers in June 2002, organized by the Government jointly with the World Bank, GEF and the United Nations Environment Programme, at which the policy and the strategy of the programme, US$ 400 million of which had already been earmarked, would be outlined. UNIDO, with its essential role in the implementation of the Montreal Protocol, was naturally invited.

60. The exclusion of many countries—in Africa and elsewhere—from the benefits of globalization was a matter for serious concern. A number of African Heads of State, including the President of Algeria, had therefore decided to take joint action to improve the situation, adopting the New Partnership for African Development, which envisaged a new form of cooperation between Africa and its developed partners. The African States undertook to work to consolidate the rule of law, good governance and human resource development, while the developed partners, including the private sector, provided support through significant investment in infrastructure projects and intensive training programmes. It was gratifying to note the positive reaction at several Group of Eight (G-8) summits; a plan of action to aid the implementation of NEPAD was currently being drawn up by the G-8. Several African leaders would participate in the next G-8 summit in Canada. NEPAD constituted a positive step by African leaders to establish a mutually beneficial partnership with the industrial countries. UNIDO would, she was confident, make its own contribution to the enterprise, particularly in the area of infrastructure, small and medium enterprises and training.

61. **Mr. LUCAS** (Observer for Angola) said that, as a result of the reforms of recent years, UNIDO had found suitable strategies for promoting and accelerating industrialization in the developing countries, which would enhance its credibility. Global forum activities, cooperation for development—with special emphasis on capacity-building and productivity—and the integrated approach to technical cooperation programmes were all strategies that should be further consolidated. Much remained to be done, however, particularly as far as the integrated programmes were concerned. The situation regarding the availability of funds was far from satisfactory. All Member States should renew their efforts to make voluntary contributions and support the African proposals in that regard.

62. Angola's political and military situation allied to a certain weakness in the Organization's intervention capacity in the past decade had not been conducive to the implementation of programmes. With peace a definite reality, however, the Government hoped to see that situation reversed. It had already embarked on a programme to rebuild the country's economy, in which industrial development played a key role. UNIDO and other organizations promoting cooperation for development would have an opportunity to demonstrate their efficiency. The country's economic recovery was crucial to the economic and social development of the whole southern African region, given its strategic position and natural resources. The Angolan Government and people were firmly committed to contributing to the development of the African continent.

63. A project to formulate and implement a programme for reviving the food industry in Angola had been approved by UNIDO. Its fundamental objectives were, in the short term, to solve the country's serious food problem and initiate a process of import substitution and, in the medium term, to start exports of agricultural and manufactured products. By some oversight, the project had not been mentioned in the Annual Report. The basic conditions for implementation had already been met and it would undoubtedly have a considerable impact, in view of the fact that the consolidation of peace and stability would enable agricultural activity and industrial production to increase.

64. **Mr. GANSORE** (Burkina Faso) commended the relative financial stability achieved by UNIDO and the improvement in the rate of collection of assessed

contributions. He called on Member States to endeavour to fulfil their obligations to the Organization, as his own country had done, having managed to clear its arrears.

65. In view of the rise in the number of technical cooperation projects in 2001, particularly integrated programmes, the shortfall in financial resources was all the more regrettable. In that context, he expressed gratitude to the Governments of Denmark, Belgium, Austria and Luxembourg for their support for the integrated programme in his country.

66. Given the importance of regional and subregional development, he urged UNIDO to continue its dialogue with States and regional organizations and lend its full support to such initiatives as NEPAD. In that context, he welcomed the launch of the integrated programme targeting agro-industries in West Africa. He also thanked the European Union for its support and funding for the new accreditation, standardization and quality promotion system in countries of the West African Monetary and Economic Union (WAEMU), which was based in Burkina Faso. It was to be hoped that other programmes in the region would receive similar support. Lastly, he associated his delegation with the statement by the representative of France regarding the need for the equitable treatment of all linguistic groups where documentation was concerned.

67. **Mr. KIKINE** (Lesotho) said that the Annual Report 2001 showed that the Organization's finances were fairly healthy. Regrettably, Lesotho was one of the countries which had experienced difficulties in meeting its financial obligations, but that would soon be remedied.

68. His delegation was convinced that the assistance of UNIDO would contribute to poverty alleviation and industrial development in Lesotho. The Organization's interest in his country had been confirmed by the Director-General's recent visit, which had coincided with a general election. The holding of democratic elections was a positive step towards achieving political stability, which was a precondition for economic progress and sustainable industrial development.

69. **Mr. AHMED** (Association of Former United Nations Industrial Development Experts (AFIDE)) said that AFIDE had recently celebrated its fifth anniversary and held its fifth annual general meeting, which had been attended by a large number of its members. In 2002 AFIDE had also been granted special consultative status with the Economic and Social Council, and its President, Ms. Tcheknavorian-Asenbauer, a former Managing Director of UNIDO, had won a Stratospheric Ozone Protection Award from the United States Environmental Protection Agency, in recognition of her role in putting the Montreal Protocol and other environmental issues on the agenda of UNIDO.

70. One of the most important challenges that developing countries and economies in transition faced was that of maximizing the benefits of globalization while minimizing any potential harm. Globalization could result in such countries losing control over their own economic policies and development and the weakening or disappearance of established industries, with the related negative impact on society. Moreover, as such countries represented a small proportion of world economic production, they stood to gain only marginal benefits from trade liberalization. Their hopes that the adoption of the new economic regimen based on private-sector development and the expansion of exports would alleviate poverty would not be fulfilled unless their export production capacities and competitiveness improved.

71. The Third United Nations Conference on the Least Developed Countries had recognized the urgency of the situation and highlighted the fact that, in order to engage in trade, countries needed to have products that could be traded and industries that could produce them. Some countries would require assistance with product quality improvement through various means in order to compete in world markets. The Annual Report 2001 rightly emphasized the importance of standardization and quality control in an export-oriented production strategy. Improvement of capabilities and capacity-building were crucial for development.

72. The scope of the problem was such that it could not be resolved through a piecemeal approach. The Organization's recent collaboration with the World Trade Organization, the United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre was therefore to be welcomed. However, UNIDO should not neglect its principal field of expertise, which was promoting the establishment of industrial capabilities in developing countries, with a focus on manufacturing, semi-manufacturing and agro-allied products. In addition to its cooperation with trade-related agencies, UNIDO could also benefit from cooperating with agencies such as the Food and Agriculture Organization.

73. Though the Organization had inadequate resources to complete the entire process of industrial revival, it should continue its efforts to promote industrial development and provide assistance. It was also a crucial source of new ideas and had a pivotal role to play in ensuring that, in an increasingly globalized world, genuine partnership and equity prevailed in trade and industry. It could rest assured of the full cooperation of AFIDE in its endeavours.

74. **Mr. MAGARIÑOS** (Director-General), replying to points raised in the debate, said that the Secretariat would be happy to provide Member States with a report on the Organization's experience with the United

Nations Development Assistance Framework (UNDAF). With regard to the Industrial Development Decade for Africa, the budget allocation for 2002 was US$ 4.8 million, of which US$ 700,000 had been spent so far. Information about the Decade was available in document IDB.24/3 and on the Organization's web site. The Secretariat could provide more details if required. It would also be pleased to prepare background documentation relating to the proposal of Japan for a UNIDO strategy paper.

75. In order to facilitate the preparation of subregional programmes in Latin America involving two or more countries, the Secretariat was currently reviewing the subregional programmes in place in East Africa and the Humboldt Current programme in Peru and Chile. Such programmes were also linked to GEF and would be discussed in more detail with the delegations concerned.

76. He thanked the Philippines for its invitation and said that a UNIDO Representative to the Philippines would be appointed as soon as possible. He also hoped to take up the invitation to visit Yemen so as to help support its project on small and medium enterprises.

77. Following the International Conference on Financing for Development, efforts to facilitate trade were to focus particularly on the least developed countries. The Organization therefore needed to expand its work on the trade agendas of the least developed countries. UNIDO was also cooperating with UNCTAD and WTO in that regard.

78. He welcomed the proposal for expansion of the Organization's membership. He would draw the attention of all States Members of the United Nations which were not members of UNIDO to the success of the recent reform process in the Organization.

FINANCIAL SITUATION OF UNIDO (IDB.25/6 and IDB.25/8; IDB.25/CRP.3, CRP.4 and CRP.6)

79. **Mr. V. G. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, welcomed the improvement in the Organization's financial situation, which was reflected in both the operational budget and the regular budget. The improved rate of collection of assessed contributions had made it possible to implement an increased proportion of regular budget activities in the 2000-2001 biennium. The Secretariat should continue its efforts to recover the outstanding contributions owed by certain States. The voting rights of 57 Member States, including one Board member and one member of the Programme and Budget Committee, had been suspended because of non-payment of dues. The Secretariat might wish to start negotiations with those Member States to resolve the situation.

80. **Mr. NUÑEZ GARCIA-SAUCO** (Spain), speaking on behalf of the European Union and the candidate countries Bulgaria, the Czech Republic, Hungary, Lithuania, Malta, Romania, Slovakia, Slovenia and Turkey, welcomed the improvement in the financial situation of UNIDO. The Organization's cash position and the improved rate of collection of assessed contributions should facilitate regular budget implementation. Despite the upward trend in the number of Member States whose voting rights had been restored, many other States were still failing to fulfil their financial obligations to UNIDO. He therefore appealed to Member States to pay their assessed contributions in full and on time and, where applicable, settle their arrears, so that UNIDO could carry out its mandate. The European Union was pleased to note that the Government of the United States of America was committed to fulfilling its financial obligations to the Organization. It strongly supported the Director-General's discussions with that Government aimed at finding a solution to the problem, and would like to be kept informed of developments.

81. The European Union welcomed the Organization's recent introduction of the single currency system of assessment based on the euro, which would create savings by streamlining administrative operations and which had set an example for other international organizations in countries where the euro was the local currency.

82. **Mr. RODRÍGUEZ CHACON** (Peru) welcomed the improved financial situation of UNIDO, as reflected in document IDB.25/6, which had made possible the release of 97 per cent of the appropriations for 2002 under the regular budget, as against only 90 per cent for the corresponding period in the biennium 2000-2001. It was similarly gratifying that improved management had led to the increase in the level of the operational budget reserve to 4.9 million euros as at 31 March 2002. For those favourable indicators to be consolidated, UNIDO must be able to rely on the political commitment of Member States, which should be reflected in the necessary financial support. His delegation therefore urged all Member States to continue trying to discharge their efforts to fulfill their financial obligations on time. The Organization's financial situation would also benefit if States that had previously been Members would settle their arrears.

83. **Mr. MSHENSKY** (Russian Federation) said that, for the first time in many years, the Organization's financial situation was stable enough for it to carry out its work effectively. His delegation welcomed the efforts of the Secretariat, including the Director-General himself, to resolve problems relating to the payment of contributions by Member States, through means such as debt restructuring. The work to mobilize resources from international sources and donor countries and

organizations was important and should be continued. The figures contained in the annual report for 2001—net project and programme approvals of US$ 85.6 million and funding through the Industrial Development Fund of US$ 21.6 million—were encouraging.

84. His delegation welcomed the increased cooperation between UNIDO and the European Commission, which would strengthen the Organization's financial situation and help expand activity in priority areas such as quality control and standardization, investment promotion and technology transfer. The adoption of the new scale of assessment at the ninth session of the General Conference had already resulted in greater discipline in the payment of assessed contributions. The collection rate of 91.7 per cent for 2001 testified to Member States' increased confidence in the Organization and their interest in its work. Nonetheless, a significant number of Member States had been deprived of their voting rights because of unpaid arrears.

85. His delegation supported the Secretariat's proposal to improve the provisions governing the distribution of unencumbered balances. The Government of the Russian Federation had taken a decision to allow its share to be used for technical cooperation. The Secretariat should endeavour to make the system of budgetary controls more effective and provide Member States with regular information on the results of such efforts.

86. **Mr. ZSIGMOND** (Hungary) said that, through the efforts of Member States and the Secretariat alike, the Organization's regular and operational budgets were balanced and the Working Capital Fund was stable. It was to be hoped that the rate of collection of assessed contributions would increase still further in 2002. Hungary had paid its assessed contribution in full and called on Member States that had not already done so to pay their contributions without delay. It also urged those countries in arrears to follow the examples of Ukraine, which had negotiated a payment plan and started paying off its arrears, and Azerbaijan, for which a payment plan had also been proposed.

87. The increased level of technical cooperation delivery in 2001 demonstrated the commitment of the donor community to supporting the Organization's activities. Hungary had become a donor and also contributed voluntarily to the Industrial Development Fund. It had already paid its voluntary contribution for 2002 and had renounced its share of unencumbered balances.

88. **Mr. KAMOHARA** (Japan) commended the Secretariat's efforts to improve efficiency and reduce costs. Japan had renounced its share of the unencumbered balances of appropriations, income from new Member States and interest income in excess of budgetary estimates, in accordance with the strong recommendation of the General Conference that all Member States should consider doing so. His delegation was encouraged by the responses received so far and called on those Member States which had not yet done so to inform the Secretariat of their intentions as to the use of their respective shares.

89. The delegation of Japan hoped that a solution to the thorny problem of arrears would be found at the earliest opportunity. It was encouraging that UNIDO had received the first instalment from Ukraine under that country's payment plan and that a similar plan had been proposed for Azerbaijan. He called on other Member States in arrears to follow that example.

90. **Mr. ZHANG Yan** (China) welcomed the improvement in the financial situation of UNIDO and said that, although a number of countries were still in arrears, it was encouraging that Ukraine had begun to settle its arrears on the basis of its payment plan and that a similar plan had been proposed for Azerbaijan. It was to be hoped that other countries in arrears, particularly developed countries, would follow suit.

91. In an age of globalization and mutually dependent economies, cooperation through UNIDO between developed and developing countries was a process beneficial to both sides. Technical assistance to developing countries helped to alleviate poverty by enhancing industrial production capacities, promoting trade and development, improving the investment environment, fostering internal markets and strengthening purchasing power. China would continue to support the work of UNIDO and to pay its assessed contributions in full and on time.

92. **Mr. KIM Chang-mo** (Republic of Korea) welcomed the overall improvement in the financial situation of UNIDO, the increased level of technical cooperation delivery and the improved rate of collection of assessed contributions. However, substantial amounts were still owed to the Organization and the voting rights of many Member States had been suspended. His delegation therefore urged all States in arrears to make their utmost efforts to clear the outstanding payments.

93. **Mr. HASSAN** (Sudan), speaking on behalf of the African Group, welcomed the fact that the rate of collection of assessed contributions for 2002 had improved in comparison with the previous two years. His delegation urged all present and former Member States in arrears to settle their outstanding payments, in particular those States whose voting rights had been suspended.

The meeting rose at 1.05 p.m.

Distr.
GENERAL

IDB.25/SR.4
12 June 2002

United Nations Industrial Development Organization

ORIGINAL: ENGLISH

Industrial Development Board

Twenty-fifth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 16 May 2002, at 3 p.m.

President: Mr. HORVATH (Hungary)

CONTENTS

Agenda item		*Paragraphs*
4	Financial situation of UNIDO (*continued*)	1 - 2
5	Investment and Technology Promotion Offices	3 - 14
6	UNIDO involvement in major international conferences	15 -31
7	Joint Inspection Unit activities relevant to UNIDO	32 - 42
8	Matters related to intergovernmental, non-governmental, governmental and other organizations	43
-	Introduction of draft decisions	44 - 46
3	Annual report of the Director-General on the activities of the Organization in 2001 (*continued*)	47 - 51
4	Financial situation of UNIDO (*continued*)	52 - 63
5	Investment and Technology Promotion (*continued*)	64 - 65
6	UNIDO involvement in major international conferences (*continued*)	66 - 67
7	Joint Inspection Unit activities relevant to UNIDO (*continued*)	68 - 69
8	Matters related to intergovernmental, non-governmental, governmental and other organizations (*continued*)	70 - 71
9	Provisional agenda and date of the twenty-sixth session	72 - 78
10	Adoption of the report	79 - 81
-	Closure of the session	82 - 83

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Chief, Translation and Editorial Service, room D0710.

In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued after the end of the session.

V.02-54811 (E)

Distr.: 20 June 2002

The meeting was called to order at 3.20 p.m.

FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.25/6; IDB.25/CRP.3, CRP. 4 and CRP. 6)

1. **Mr. MOHANTY** (Principal Adviser to the Director-General), responding to points raised at the third meeting, welcomed the widespread recognition that the Organization's financial situation had stabilized and that the payment level of assessed contributions had increased. Several speakers had also rightly pointed out that States should clear their arrears as a sign of their commitment to UNIDO. In some cases, plans such as those for Ukraine and Azerbaijan could be arranged. Generally speaking, although the arrears situation had improved, there was still some way to go.

2. The question of voluntary contributions for the integrated programmes was particularly important. With a portfolio of some US$ 257 million, the amount available was about US$ 100 million, taking into account future instalments under signed agreements and programmable donor funds, but unless more voluntary contributions were forthcoming it might not be possible to implement some programmes. He noted that the higher allocation to Africa—amounting to 40 per cent of the total—reflected donor priorities. UNIDO had attempted to encourage increased contributions, but it was also up to recipient countries to try to see that their priorities were taken into account.

INVESTMENT AND TECHNOLOGY PROMOTION OFFICES (IDB.25/4; IDB.25/CRP.5)

3. **Mr. V. G. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, noted with interest the activities undertaken by the Investment and Technology Promotion Offices (ITPOs), which were intended to strengthen countries' capacities to attract investment for industrial projects. Their assistance to developing countries in the acquisition of new technologies and in establishing sustainable mechanisms for the promotion of business alliances was most valuable. The Group of 77 and China took note of the proposed guidelines contained in document IDB.25/4.

4. **Mr. KALININ** (Russian Federation) commended the proposed guidelines for the functioning of ITPOs. His delegation supported active involvement by UNIDO in helping developing countries and countries with economies in transition build and strengthen national capabilities for attracting investment and technology by organizing industrial and financial contacts. That would require constant adjustments to the Organization's approach, in accordance with the changing requirements of Member States and developments in the world economy.

5. His delegation supported the proposals for expanding the activities and improving the funding arrangements for ITPOs, and for work in such areas as project assessment, the use of ITPO contacts with enterprises to attract more resources and the establishment of direct links between local entrepreneurs and potential investors through UNIDO project promotion programmes.

6. The UNIDO Centre for International Industrial Cooperation in Moscow had recently been strengthened with the appointment of industrial and academic experts and with the further development of working contacts with State and private structures. The Centre was actively involved in preparing the cooperation programme between the Russian Federation and UNIDO. Its main task was currently to seek to interest the private sector in joint industrial development projects and in the ITPO Network.

7. **Mr. GURKAN** (Turkey) said that ITPOs were important not only in helping developing countries and economies in transition to attract investors and gain access to technologies and markets but also by opening up new opportunities for investors and technology suppliers to connect with potential partners in developing countries, in complementing the Organization's endeavours to help developing countries cope with the challenges of development and globalization. The proposed guidelines contained in document IDB.25/4 would enhance the effectiveness of ITPOs, as well as encouraging a large number of Member States to host them.

8. **Mr. KAMOHARA** (Japan) said that ITPOs had played a significant role in helping developing countries and countries with economies in transition to bridge the investment gap and the technology divide, sometimes even providing new initiatives themselves and pointing the way forward. A case in point was the forum on the Clean Development Mechanism organized in June 2002 by UNIDO, as represented by the Tokyo ITPO, jointly with the Mitsubishi Research Institute. The forum was expected to facilitate a better mutual understanding of the Mechanism between developing countries in Asia and the Japanese investing community, and thus assist developing countries in developing the Mechanism as a policy tool for sustainable industrial development. It would also strengthen the collaborative partnership with the private sector. His Government considered the initiative most opportune and regarded better use of the Clean Development Mechanism as an area in which UNIDO could develop strong comparative advantages.

As for the guidelines, his delegation recognized the need for their updating to include technology promotion among ITPO activities and reflect current realities, and supported the adoption of the proposed guidelines.

9. **Mr. KIM Chang-mo** (Republic of Korea) stressed the importance of the role of ITPOs in helping developing countries and countries with economies in transition to bridge the investment gap and technology divide, acquire new technology and establish sustainable mechanisms. The Seoul ITPO had, since its launch in 1989, been successfully implementing its mandate with close support from the UNIDO Secretariat. His delegation would support the adoption of the proposed guidelines contained in document IDB.25/4, which reflected all the important issues that needed to be covered in the light of current changes.

10. **Mr. PAULINICH** (Peru) said that ITPOs played an important role in contributing to the economic growth of developing countries and countries with economies in transition and enhancing their competitiveness in national and international markets. Since 1995, the work of the ITPOs had been expanded and restructured, enabling the Organization's activities in the area of industrial technology transfer to be intensified, and countries with economies in transition had become actively involved. His delegation would therefore support the adoption of the proposed guidelines contained in document IDB.25/4.

11. **Mr. TOUQ** (Jordan), after expressing appreciation for the funding provided by the Government of Italy for the ITPO in Jordan, said that the concept should be expanded in order to make a real contribution to industrial growth. His delegation favoured the speedy establishment of the ITPO Network, which would enable all Offices to benefit from successes achieved elsewhere. The real problem lay in the gap between the promotion of investment and the actual investments made. UNIDO should play an active role in closing the gap by enhancing developing countries' industrial capacity and helping develop human resources. To that end, it should cooperate with other organizations, such as the United Nations Educational, Scientific and Cultural Organization (UNESCO), the World Bank and the United Nations Development Programme (UNDP) to diversify secondary education in developing countries and make it more responsive to the requirements of the market and of economic globalization. UNIDO and Arab States which benefited from no initiatives to promote investment should engage in a dialogue. His Government was willing to host a meeting for that purpose. As for the draft guidelines contained in document IDB.25/4, his delegation was in favour of adoption in principle, although it had reservations about some of the assumptions made in the document. For example, there was more emphasis on the action required from the developing countries and countries with economies in transition than on the role of donor countries, whereas two parties were always required for investment to take place. Also, there was some ambiguity and overlap in the activities listed in paragraph 7 (iii). He hoped that the Secretariat would tighten up the wording.

12. **Mr. ABU SHOUK** (Sudan), speaking on behalf of the African Group, noted that, according to document IDB.25/4, paragraph 6, the objectives, mandate and activities as well as funding, personnel and legal arrangements for ITPOs should remain unchanged. Regarding the proposal for new guidelines to reflect the role of ITPOs, the Group felt that the ITPOs were functioning satisfactorily. While his Group would welcome efforts to sharpen the focus of ITPOs further and to enhance their overall performance, it believed that the key to their success was their flexibility and their ability to take account of local circumstances. The Secretariat should therefore engage in further consultations with Member States on enhancing the role of ITPOs.

13. **Mr. MORENO** (Italy) said that, in fostering joint development and sustaining market integration, ITPOs could extend the benefits of globalization to developing countries. They allowed synergies and complementarities to develop, thus paving the way for increased integration. In that perspective, networking was essential in order to share experiences and best practices. The UNIDO Mediterranean Network had shown itself to be an innovative and useful initiative which had facilitated South-South cooperation in specific sectors such as automotive components and textiles between Egypt and Tunisia. It had also promoted region-wide reflection on the use of instruments such as equity and guarantee funds to support small and medium enterprise development in the region. Other areas to have benefited were renewable energy in Tunisia, solid-waste collection in Egypt and waste treatment for olive-oil processing in Jordan. ITPOs could also play a crucial role in the trade facilitation and product quality and standardization programmes. His delegation would therefore welcome the geographical expansion of the ITPO Network, which would have a multiplying effect in terms of benefit to recipient countries.

14. **Mr. MARUNO** (Officer-in-Charge, Programme Coordination and Field Operations Division), after thanking countries that hosted ITPOs, said that he had taken note of the two observations made by the representative of Jordan. As a result of the organizational changes in UNIDO, the ITPO Network had been brought closer to UNIDO field operations, whose performance had been enhanced by the more dynamic environment in which the ITPOs operated. In view of the limited financial resources available, it was important to minimize costs and maximize results through increased synergy with other organizations. It

was anticipated that the new structure would increase the Organization's corporate strength, thus ensuring better value for less money.

UNIDO INVOLVEMENT IN MAJOR INTERNATIONAL CONFERENCES (IDB.25/3)

15. **Mr. V. G. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, commended the Secretariat for its active participation in the International Conference on Financing for Development held recently in Monterrey, Mexico. The Group of 77 and China hoped to benefit in the coming months from the proposed initiatives on venture capital and on enabling developing countries to participate in international trade by strengthening the supply capacity. He also commended the Secretariat's participation in the preparatory process for the World Summit on Sustainable Development to be held in Johannesburg, South Africa, particularly the support it had given to the preparation of 18 national overview reports on the contribution of industry to sustainable development and on programmes facilitating the transfer of environmentally sound technology. International cooperation on technology transfer was crucial for a successful sustainable development programme. Lastly, he stressed the symbiotic relationship between the outcome of the International Conference on Financing for Development and the foreseeable outcome of the World Summit on Sustainable Development.

16. **Mr. NUÑEZ GARCIA-SAUCO** (Spain), speaking on behalf of the European Union (EU) and the candidate countries Bulgaria, the Czech Republic, Hungary, Lithuania, Malta, Poland, Romania, Slovakia, Slovenia and Turkey, expressed appreciation of the Organization's involvement in the International Conference on Financing for Development. Its initiatives in that area were based on its strengths. The new UNIDO initiative "Enabling developing countries to participate in international trade—Strengthening the supply capacity" should be implemented in close coordination with other relevant stakeholders, particularly the World Trade Organization, the United Nations Conference on Trade and Development (UNCTAD) and the International Trade Centre, avoiding any duplication or overlap. He requested the Director-General to submit a report at the twenty-sixth session concerning progress in the implementation of the initiative.

17. The European Union attached great importance to the forthcoming World Summit on Sustainable Development and welcomed the active involvement of UNIDO, which should continue to work closely with Member States in the preparations for the Summit. He requested the Director-General to report to the twenty-sixth session on the implications for the work of UNIDO of the outcome of the Summit.

18. **Mr. RODRIGUEZ CHACON** (Peru) commended the Organization's participation in the International Conference on Financing for Development and its activities in preparation for the forthcoming World Summit on Sustainable Development. The Organization's presence on both occasions was both necessary and timely, since it enabled it to participate in the decision-making process at the highest level on issues closely linked to its mandate. It also increased the Organization's visibility on the world stage. The Director-General's announcement of the creation of the trust fund for the initiative "Enabling developing countries to participate in international trade—Strengthening the supply capacity", with a contribution of US$ 1 million from UNIDO itself, was most welcome. UNIDO had a universal vocation and should make every effort to reach out to countries that were not yet Members. An expansion of the membership would benefit the Organization as a whole. The Organization should also reach out to former Members which had left it in circumstances that had been very different. A greater understanding of the current situation might lead them to reconsider their decision.

19. **Mr. ZSIGMOND** (Hungary) said that UNIDO, as a unique agent of international industrial development, should have a voice at the forthcoming World Summit on Sustainable Development, to which his Government attached great importance. One of the initiatives due to be presented by UNIDO at the Summit related to National Cleaner Production Centres (NCPCs). His Government had, with assistance from UNIDO and the United Nations Environment Programme (UNEP) and with financial support from the Government of Austria, established an NCPC in 1997, which had rapidly become a centre of excellence in environmental management. Besides serving its national partners, it had been involved in international cooperation, especially in Central Europe. At a seminar held jointly with the Austrian Government in April 2002, several delegations had encouraged UNIDO to develop the international network of NCPCs further. It would be useful for the international networking element to be included in the initiative to be presented at the Summit.

20. **Mr. SAHINBAS** (Turkey) said that his delegation noted with satisfaction the Organization's active participation in the International Conference on Financing for Development. It particularly welcomed the initiative "Enabling developing countries to participate in international trade—Strengthening the supply capacity", which had the potential to increase the productivity levels and capacities of developing countries. As for participation in the World Summit on Sustainable Development, he commended the initiatives in the areas of technology transfer, access to energy for sustainable development, NCPCs and corporate social responsibility.

21. He expressed appreciation of the fact that one of the 18 national overview reports on the contribution of industry to sustainable development had covered his country. UNIDO had recruited a national consultant and provided financial support for the industrial stakeholders' workshop at which the report by the national consultant had been revised.

22. **Mr. KAMOHARA** (Japan) said that his delegation welcomed the Organization's active participation in both the International Conference on Financing for Development and the World Summit on Sustainable Development. The UNIDO strategy for capacity-building, entitled "Enabling developing countries to participate in international trade—Strengthening the supply capacity", merited particular attention. Japan strongly supported the Organization's activities to promote sustainable industrial development. The World Summit and its preparatory meetings would give UNIDO an excellent opportunity to publicize its related technical cooperation activities, and his delegation encouraged the Director-General to participate actively in the process.

23. **Ms. HALLE** (Croatia) said that her delegation fully supported the Organization's involvement in international conferences and welcomed the substantive results achieved by UNIDO at the International Conference on Financing for Development and its participation in a number of side events.

24. With regard to the World Summit on Sustainable Development, she said that, while some progress had been made since the adoption of Agenda 21, the state of the world's environment remained fragile. Her delegation was concerned about the constraints that hampered the implementation of Agenda 21, particularly the lack of resources. Croatia was doing its share to help to resolve global environment issues. It was in the final stage of adopting its National Development Strategy for the Twenty-first Century, and had already adopted strategies and policies that reflected the goals of sustainable development. Environmental protection, sustainable management and good governance could improve sustainable development. Local implementation of Agenda 21 was essential for sustainable development and democratic decentralization.

25. Her delegation supported the Organization's preparations for the fourth session of the Preparatory Committee for the World Summit on Sustainable Development, and hoped that its initiatives in the areas of technology transfer, access to energy for sustainable development, cleaner production centres and social responsibility would be incorporated in the final document of the Summit. The outcome of the Summit should be concrete, action-oriented and capable of implementation in order to contribute to the achievement of international development targets.

26. She welcomed the plans for UNIDO and the Government of Slovakia to organize an International Conference of Ministers of Environment and Economy of EU Accession Countries in Bratislava from 12 to 14 June 2002. The Conference should formulate future strategy and concrete action to improve regional cooperation in the area of cleaner and sustainable industrial development.

27. **Mr. ABU SHOUK** (Sudan), speaking on behalf of the African Group, said that the African Group noted with interest the Secretariat's involvement in the International Conference on Financing for Development. It commended the Secretariat's active role in preparations for the World Summit on Sustainable Development, particularly the Organization's support for the preparation of 18 national overview reports on the contribution of industry to sustainable development and on programmes that facilitated the transfer of environmentally sound technology, and the initiative concerning international cooperation in technology transfer. UNIDO's involvement in international conferences should strengthen its capacity to implement the technical cooperation programme.

28. The 37th Summit of African Heads of State and Government held in Lusaka in July 2001 had approved the New Partnership for African Development (NEPAD), the primary objective of which was to eradicate poverty in Africa and place African countries, both individually and collectively, on a path of sustainable growth and development in order to halt the marginalization of Africa in the globalization process. Priority areas of the NEPAD plan included creating peace, stability and good governance, investing in Africa's people, developing an industrial strategy, increasing investment in the information technology and communications sectors and developing transport and energy infrastructure. The African Group urged the international community to assist the African countries in that endeavour, in which UNIDO had an important role to play.

29. The Secretary-General of the United Nations had recently pointed out that areas such as capacity-building and market access were particularly important for Africa because Africans would much rather trade their way out of poverty than live on "handouts". African countries urgently needed increased access to markets of developed countries if they were to diversify their economies and create jobs for the soaring numbers of unemployed.

30. **Mr. MOHANTY** (Principal Adviser to the Director-General) said that the Secretariat would bear in mind the comments made by Member States, which would be reflected in the Organization's preparations for the World Summit on Sustainable Development. The principal objectives of the Organization's involvement

in major international conferences were to highlight industry's curcial role in promoting sustainable development and to gain international recognition of UNIDO's expertise in the field of capacity-building. Emphasis was being placed on the role of technology transfer, particularly the role of environmentally sound advanced technology, in promoting sustainable development in the developing countries.

31. The Secretariat had taken note of Member States' concern that National Cleaner Production Centres should figure prominently in UNIDO activities. UNIDO and the United Nations Environment Programme had been implementing a programme to promote the Centres and would continue that activity in partnership with regional development banks. That work, along with activities in the area of technology transfer, energy and corporate social responsibility, would be reflected in the Organization's statements at the World Summit on Sustainable Development.

JOINT INSPECTION UNIT ACTIVITIES RELEVANT TO UNIDO (IDB.25/5)

32. **Mr. MUNCH** (Joint Inspection Unit (JIU)) said that the report of the Director-General on Joint Inspection Unit activities relevant to UNIDO (IDB.25/5) discussed three JIU reports of particular interest to UNIDO. The first report dealt with strengthening the investigations function in United Nations system organizations (JIU/REP/2000/9). While the investigations function was becoming an increasingly important component of internal oversight for most United Nations system organizations, it was still in the developmental stage. The objective of the report was to make recommendations to enhance the capability of organizations in the system to meet the need for investigation. In its report, JIU made six recommendations regarding the investigations function in United Nations system organizations: (1) common standards and procedures should be developed and adopted; (2) managers should receive training in the use of standards and procedures for conducting investigations; (3) a risk profile of each organization should be conducted by the respective executive head in order to determine the organization's need for access to professionally trained and experienced investigators; (4) options for financing access of small organizations to a professional investigations capability should be reviewed; (5) preventive measures should be developed on the basis of proactive investigations and lessons learned; and (6) inter-agency cooperation should continue to be fostered, particularly through the conferences of United Nations investigators. The first recommendation had been a major agenda item at the Third Conference of International Investigators of United Nations Organizations and Multilateral Financial Institutions, held at World Bank Headquarters in March 2002. The participants in the Conference, including UNIDO, had adopted a paper entitled "Uniform standards for investigations". The Unit looked forward to receiving information about UNIDO's experience in trying out those uniform standards for the investigations function. It was encouraging that the JIU report had been favourably received by the secretariats of participating organizations and had triggered a lively discussion at meetings of various legislative organs.

33. The second report dealt with United Nations system support for science and technology in Latin America and the Caribbean (JIU/REP/2001/2). It was the third report of the evaluation series undertaken so far by the Unit to assess the relevance and adequacy of the activities of United Nations system organizations in support of endogenous capacity-building in the field of science and technology in developing countries. The organizations, including UNIDO, covered in the report performed satisfactorily in their support for science and technology activities in Latin America and the Caribbean. Among the 10 projects reviewed in the report was the regional cooperation project on microelectronics, which had been executed by UNIDO, with funding from the United Nations Development Programme (UNDP) from 1989 to 1992, as the first phase of a long-term regional programme for the development of informatics and microelectronics in Latin America and the Caribbean. The Organization's comments on that report (IDB.25/5, paras. 12-21) were, in general, supportive of the main recommendations of the report, particularly recommendation 1, which advocated the establishment of a United Nations system joint programme for science and technology for development. The Unit hoped that UNIDO would give further consideration to that proposal.

34. The third report (JIU/REP/2001/4), entitled "Enhancing governance oversight role: Structure, working methods and practices on handling oversight reports", contained recommendations that were self-explanatory and did not require detailed presentation. Among the four recommendations contained in the report, the first three were addressed to the Board. Accordingly, based on the provision contained in paragraph 9 of the pilot scheme that the Board had adopted at its previous session (IDB.24/Dec.11), the Unit wished to encourage the Board to take specific action on those recommendations.

35. **Mr. V. G. GARCIA III** (Philippines), speaking on behalf of the Group of 77 and China, commended the efforts undertaken by the Secretariat with respect to the Joint Inspection Unit's report on United Nations system support for science and technology in Latin America and the Caribbean (JIU/REP/2001/2), as well as the Organization's contribution in the field of science and technology for development. The further strengthening of UNIDO's internal capacity and mobilization of funds and its probable establishment of a connection with

global forum activities could strengthen the position of the Organization. UNIDO's experience and capacities in setting up linkages between science and technology and the private sector could give it a leading role in coordinating and integrating United Nations support programmes and services.

36. The report on enhancing the governance oversight role (JIU/REP/2001/4) represented the first report since the Board's approval of the pilot scheme of UNIDO follow-up to JIU recommendations. The Group of 77 and China believed that the Board's authority was sufficient to enable it to carry out its oversight function effectively.

37. The Group of 77 and China commended the Director-General on the successful transformation of UNIDO, and urged the Secretariat to use the Organization's newly won stability to implement fully its technical cooperation portfolio in accordance with the medium-term programme adopted by the General Conference at its ninth session.

38. Industrialization was the most effective means of reducing global poverty and attaining economic growth and productivity. Given its comparative advantage over other organizations of the United Nations system, UNIDO was the most relevant institution for assisting developing countries in their efforts to build industrial capacities and meet the challenges of globalization. The Group of 77 and China urged all Member States to increase their political commitment and financial resources to the Organization in order to enable it to implement its mandate.

39. **Mr. DE MIGUEL ALVAREZ** (Spain), speaking on behalf of the European Union and the candidate countries Bulgaria, the Czech Republic, Hungary, Lithuania, Malta, Romania, Slovakia, Slovenia and Turkey, said that the European Union took note of the Director-General's report on JIU activities relevant to UNIDO (IDB.25/5) and looked forward to detailed action-oriented proposals by the Secretariat during the debate on ways of implementing the Unit's pertinent recommendations. Effective follow-up of the Unit's recommendations was a key part of the oversight activities that contributed to good management practice and the best use of resources. In that regard, the European Union attached great importance to the role of the Internal Oversight Group, and encouraged it to broaden and intensify its relations with the Unit and other oversight bodies, including the External Auditor. The European Union would welcome regular reports on the Internal Oversight Group's activities, together with information on the implementation of its recommendations. The JIU recommendations were an important contribution to the oversight exercise.

40. **Mr. KAMOHARA** (Japan) said that his Government attached great importance to the better use of JIU reports. By seriously considering such reports within the Secretariat and in the Programme and Budget Committee, UNIDO could greatly improve the transparency, consistency and efficiency of its management. His delegation supported the establishment of the pilot scheme of follow-up to the approved recommendations of the Joint Inspection Unit through policy-making organs, as outlined in document IDB.24/18, and the Director-General's idea of incorporating, as far as possible, JIU recommendations relevant to UNIDO into the Organization's management reforms.

41. With regard to JIU recommendations 1 to 3 as contained in the Director-General's report (IDB.25/5, para. 22), his delegation wished to point out that, although some progress had been made, further improvement was necessary to ensure that the programme and budget proposals provided a more systematic linkage between programmatic aspects and administrative, budgetary and financial considerations. His delegation looked forward to the report on the comprehensive review of the management and administration of UNIDO that was being carried out by the Joint Inspection Unit.

42. **Mr. DEROY** (Director, Internal Ovresight Group) said that the Secretariat had had an opportunity during the current session to hold discussions with the colleagues from the Joint Inspection Unit, and was also in regular contact with the External Auditor. With regard to the comments made by the representative of the European Union concerning follow-up of the Unit's recommendations, he said that the Secretariat used the same matrix as the Unit.

MATTERS RELATED TO INTER-GOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (IDB.25/7)

43. **The PRESIDENT** said that document IDB.25/7, which had been the only document issued under agenda item 8, contained an application from one non-governmental organization. The application had been discussed at a meeting of the Bureau earlier in the day and it had been agreed that the application for consultative status of World Vision International should be accepted. A draft decision on that subject would be distributed.

INTRODUCTION OF DRAFT DECISIONS (IDB.25/L.2-L.11)

44. **The PRESIDENT** said that a number of draft decisions which were contained in documents IDB.25/L.2-L.11 and most of which had been

considered in informal consultations chaired by Mr. Takasu (Japan) were before the Board.

45. **Mr. TAKASU** (Japan), speaking as chairman of the informal consultations, said that the consultations had been very successful. He would just mention that in draft decision IDB.25/L.3 a new sub-item (c) entitled "Biotechnology global forum" should be added under agenda item 3 of the provisional agenda for the next session. It would be important for the Board to be informed on that issue.

46. **The PRESIDENT** said that he was submitting the draft decisions approved by consensus in the informal consultations as drafts of the President for consideration by the Board.

The meeting was suspended at 4.50 p.m.
and resumed at 5.30 p.m.

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 2001 (*continued*) (IDB.25/2 and Add.1; IDB.25/CRP.7 and CRP.8; IDB.25/L.7 and L.8)

47. **The PRESIDENT** drew attention to draft decisions IDB.25/L.7 and IDB.25/L.8.

48. *The draft decisions were adopted.*

Proposal of Japan for a UNIDO strategy paper (IDB.25/CRP.8)

49. **The PRESIDENT** said that the Japanese proposal in document IDB.25/CRP.8 had been distributed, and it had been informally agreed that a summary of the views expressed would be prepared. The summary would read:

> "The Permanent Representative of Japan to UNIDO stressed that reform was only a means of achieving the objectives of the Organization and the time had now come for UNIDO to concentrate on producing practical and useful deliverables through its technical cooperation activities. UNIDO needed a sharper focus to concentrate the Organization's efforts on a number of areas within the scope of the Business Plan and the medium-term framework., 2002-2005. It was also necessary for UNIDO to gain better recognition in the international community as a revitalized and viable organization.
>
> "To make possible this process, Japan proposed the formulation of a UNIDO strategy paper, a preliminary outline of which was distributed to the Board (IDB.25/CRP.8). All Member States were invited to discuss the proposals in the Programme and Budget Committee in September 2002 and/or the Industrial Development Board in November 2002. The Secretariat was requested to prepare, by the end of August 2002, a background paper on the subject that would facilitate consultations among the Member States."

50. It was suggested that that summary should be included in the records.

51. *It was so agreed.*

FINANCIAL SITUATION OF UNIDO (*continued*) (IDB.25/6 and IDB.25/8; IDB.25/CRP.3, CRP.4 and CRP.6; IDB.25/L.4, L.10 and L.11)

52. **The PRESIDENT** drew attention to draft decision IDB.25/L.4.

53. *The draft decision was adopted.*

54. **The PRESIDENT** drew attention to draft decision IDB.25/L.10, entitled "Funds mobilization for integrated programmes".

55. **Mr. JENKINS** (United Kingdom) proposed that the phrase "bilateral donor funds" in paragraph (g) should be amended to read "funds from bilateral donors" and that the word "through" in paragraph (h) should be changed to "from".

56. **Mr. RIMDAP** (Nigeria) expressed support for the proposed amendment to paragraph (g), but said that he would prefer to keep the word "through" in paragraph (h) as it conveyed better the action that the Board was requesting the Director-General to take.

57. **Mr. JENKINS** (United Kingdom) withdrew his proposal for paragraph (h).

58. *The amendment to paragraph (g) proposed orally by the representative of the United Kingdom was adopted.*

59. *Draft decision IDB.25/L.10, as amended, was adopted.*

60. **The PRESIDENT** drew attention to draft decision IDB.25/L.11, entitled "Proposed payment plan for Azerbaijan".

61. **Mr. NUÑEZ GARCIA-SAUCO** (Spain), speaking on behalf of the European Union, expressed support for the draft decision. However, referring to the proposed payment plan for Azerbaijan contained in document IDB.25/8, he would like annex II, paragraph 5, to be replaced by the text in annex II, paragraph 5, of the proposed payment plan for Ukraine contained in document GC.9/9.

62. **The PRESIDENT** said that that statement was noted.

63. *Draft decision IDB.25/L.11 was adopted.*

INVESTMENT AND TECHNOLOGY PROMOTION OFFICES (*continued*) (IDB.25/4; IDB.25/CRP.5; IDB.25/L.5)

64. **The PRESIDENT** drew attention to draft decision IDB.25/L.5.

65. *The draft decision was adopted.*

UNIDO INVOLVEMENT IN MAJOR INTERNATIONAL CONFERENCES (*continued*) (IDB.25/3; IDB.25/L.6)

66. **The PRESIDENT** drew attention to draft decision IDB.25/L.6.

67. *The draft decision was adopted.*

JOINT INSPECTION UNIT ACTIVITIES RELEVANT TO UNIDO (*continued*) (IDB.25/5; IDB.25/L.9)

68. **The PRESIDENT** drew attention to draft decision IDB.25/L.9.

69. *The draft decision was adopted.*

MATTERS RELATED TO INTERGOVERNMENTAL, NON-GOVERNMENTAL, GOVERNMENTAL AND OTHER ORGANIZATIONS (*continued*) (IDB.25/7; IDB.25/L.2)

70. **The PRESIDENT** drew attention to draft decision IDB.25/L.2.

71. *The draft decision was adopted.*

PROVISIONAL AGENDA AND DATE OF THE TWENTY-SIXTH SESSION (IDB.25/CRP.2; IDB.25/L.3/Rev.1)

72. **The PRESIDENT** said that a revised version of the draft decision on the item had just been distributed (IDB.25/L.3/Rev.1). The following were the changes that had been made: the phrase "including field representation and technology foresight" had been added to sub-item (b) under agenda item 3 and a sub-item (c), entitled "Biotechnology global forum", had been added.

73. **Mr. RUDISCHHAUSER** (Germany) said that, although his delegation had had reservations about adding new agenda items at the last minute, it would support the adoption of the draft decision on the understanding that the Secretariat would inform Board members about the proposed new initiative under item 3 (c) and provide documentation in a timely manner.

74. **Mr. JENKINS** (United Kingdom), referring to item 3 (b), suggested that field representation should be discussed as a separate agenda item rather than in connection with the medium-term programme framework, since it was really an organizational issue.

75. **Mr. RUDISCHHAUSER** (Germany), supported by **Mr. EL ATAWI** (Egypt), said that field representation had in fact been included as part of the medium-term programme framework; he therefore thought that it could be discussed under item 3 (b).

76. **Mr. KAMOHARA** (Japan) said that he wished to confirm his delegation's understanding that the Japanese proposal for a strategy paper would be taken up by the Programme and Budget Committee in September and by the Board in November, under the proposed agenda items 3 (b) and 4.

77. **Mr. PAULINICH** (Peru) said that his delegation attached particular importance to technology foresight.

78. *Draft decision IDB.25/L.3/Rev.1 was adopted.*

ADOPTION OF THE REPORT (IDB.25/L.1)

79. **Mr. HAMEDANI** (Islamic Republic of Iran), Rapporteur, introducing document IDB.25/L.1, said that it represented the framework of the report. The final version would be compiled in close consultation with the Friends of the Rapporteur and would duly reflect the proceedings of the session, including the decisions that had just been adopted.

80. **The PRESIDENT** said that, if he heard no objection, he would take it that the Board wished to adopt the draft report as a whole on the understanding that the Rapporteur would finalize it in consultation with the Friends of the Rapporteur as soon as possible after the closure of the session.

81. *It was so decided.*

CLOSURE OF THE SESSION

82. **Mr. MAGARIÑOS** (Director-General) thanked all the participants for the conscientious and constructive spirit that they had shown and assured them that the Secretariat would work hard to prepare the documents requested. He would hold informal meetings before the next sessions of the Programme and Budget Committee and the Board to present the relevant supporting documentation, including the background paper on the proposal of Japan for a UNIDO strategy paper. He was pleased to note that participants had not only endorsed but also elaborated upon his views on the challenges which the Organization faced. The Secretariat was committed to playing its part in translating good intentions into positive achievements to help fight poverty in the world.

83. **The PRESIDENT**, after thanking the participants for their support and cooperation, declared the twenty-fifth session of the Industrial Development Board closed.

The meeting rose at 6.20 p.m.